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13 NOVEMBER 1986

China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON RISE IN URBAN LIVING STANDARDS

OW130939 Beijing XINHUA in English 0908 GMT 13 Oct 86

[Text] Beijing, 13 October (XINHUA)—As the living standard of Chinese citizens steadily rises, nourishing food, better clothing, high quality goods and spacious homes become of utmost importance, GUANGMING DAILY reported today.

Quoting state Statistics Bureau figures, the paper said that last year, spending for urban residents was up 135.4 percent over 1978, a year before China's economic reform began.

According to a recent bureau survey, urban dwellers more than doubled amounts spent on food since 1978. Grain consumption reduced from 145 kilograms per person in 1981 to 131 kilograms last year, while the amount of non-staple foods consumed increased from 54.2 percent in 1981, to 58.1 percent last year.

Last year saw urban people consume an average of 7.5 kilograms more of meat, poultry, eggs and aquatic products per person over 1981.

Urban people spent more on clothing per person last year, up 66 percent over 1981. Sales of ready-made silk garments, woolen clothes and leather shoes are rising rapidly.

Spending on education and cultural facilities increased three times in the past 4 years.

By the end of this June, there were 24 color television sets, 54 radio cassette recorders, 14 cameras, 59 washing machines and 13 refrigerators per every 100 urban families.

Last year, living space per urban citizen was 6.6 square meters, up from 4.9 square meters in 1981.

According to the Statistics Bureau, the living standard of urban residents is varied. Monthly per capita income of 5 percent of the total urban families is below the national average. Inflation has also affected the lives of some urban citizens, according to the Statistics Bureau.

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CSO: 4020/28

NATIONAL POLICY AND ISSUES

REASONS FOR POOR QUALITY OF PRODUCTS DISCUSSED

Beijing JINGJI RIBAO in Chinese 4 Sep 86 p 1

[Editorial by unnamed critic: "Wherein Lies the Crux of the Quality Problem"]

[Text] The chain reaction started by criticism of the Snowflake brand refrigerator points out a chronic problem that has long permeated China's economic work; the assault on poor product quality has caused many plants to be on their guard, and the masses are following this closely.

The problem of poor-quality industrial products in China is an old one. In the past, commodities were in short supply due to the rigidity of the economy; this conflict is no longer a prominent one. Invigoration of the economy has meant that the living standard has begun to change from basic needs being met toward relative comfort, and there has been a major change in people's demands on products. Not only are they demanding that there be products, but also that they be good products, and new ones. Over the years the Central Committee and the State Council have issued repeated injunctions and the masses have regularly complained and appealed, but there has been no major improvement in the phenomenon of poor product quality.

Many reasons can be advanced for poor product quality, such as low staff and worker quality in enterprises and poor quality control over production operations as a whole; enterprises having weak bases and poor equipment and lacking inspection procedures; no experts to handle quality inspection; market mechanisms still not being present, a paucity of commodities; enterprises thinking that "the emperor's daughter need not worry about getting married;" raw materials not conforming to demand, and so on. Many comrades believe that the crucial point in poor product quality is that some enterprises have not sorted out the relationship between quality and quantity, that they go after profit at the expense of equity. These problems have been decried for many years; why can't they be resolved?

In a letter from machine industry expert Shen Hong [3088 7703] to the leaders of the Ministry of Light Industry, and in speeches by responsible comrades in the various ministries under the State Council at a seminar on the quality problem convened by this paper, it can be seen that there are two root causes, the first being that the concept of quality has not taken root in our minds; the second is that the system does not function smoothly, or that government and enterprise are not separated.

Ideologically, since the party's overall emphasis shifted to economic construction, the guiding ideology of economic work has not changed very much. In the minds of some leaders in economic sectors there is still less materialism than idealism. In terms of the system, as enterprises "change tracks and modify their form" and become more flexible, there has been no change in the management systems or functions of economic sectors. Macroeconomically, this has meant a simultaneous increase in the emphasis on output value, profit, and financial income, whereas control of product quality has been slighted. Microeconomically, there has been unchecked competition among sectors and regions for higher output value and profits. On the one hand, within their domain they practice a local protectionism trying to keep out outsiders, and, on the other, they view their own fast-selling products, especially brand-name products, as money trees. In order to take a few more bites of meat and shake a few more coins out of the tree, they stubbornly set targets for the enterprises and demand profits. And the enterprises, under this "baton" of output value and profits, languish away, unable to protest, merely toughing it out, "in too much haste to wash the radish," thus relaxing quality control. The result is that output climbs, profit increases, and quality declines. In recent years we have seen a good deal of this, as in the decline in quality in the Flying Dove bicycle the year before last, the glut of Wanbao refrigerators last year, and the sluggish sales of Snowflake refrigerators this year. Although each of these products is a different brand, the root cause of their poor quality was that they all got into the same rut: they did not sort out the relationship between quantity and quality, concentrating solely on the pursuit of quantity and speed while slighting product quality and results. Therefore a radical cure of the chronic ailment of poor product quality must be effected; the medicine must be swallowed. Not only should administrative measures be taken, such as dismissing the leaders of enterprises slighting product quality and ordering the enterprises to shut down and reorganize, there must also be a reorganization of the guiding ideology of economic work as well, so as to change as quickly as possible those approaches involving unrealistic quotas and speed. At the same time, reform of the economic and political systems must be continued; the enterprises must be allowed to free themselves from the system of ownership by departments to become truly independent and autonomously operating commodity producers.

To achieve this goal, in the near term we must reform the management system of administrative companies, or create the conditions for their elimination, or convert them to managerial service enterprise entities, giving true authority for the management of the enterprise's production to the enterprise. In the long term, we must separate the functions of government and enterprise, freeing all levels of government from the everyday, trivial economic affairs of enterprises and truly shifting their focus over to creating an excellent environment for raising the standard of living and the growth of enterprises.

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CSO: 4006/2

PAPER DISCUSSES THEORY OF SOCIALIST LABOR

HK160729 Beijing GUANGMING RIBAO in Chinese 27 Sep 86 p 3

[Article by Wei Xinghua [5898 5281 5478]: "A Brief Comment on the Theory That Socialist Labor is a Commodity"]

[Text] Now the number of articles advocating that labor under the socialist system is a commodity has multiplied. I disagree with this view. Here I would like to discuss in brief my views on this matter.

The Argument That Regards Socialist Labor as a Commodity Will Lead to a Conclusion That Socialism is Also a Wage Labor System

One important argument of the theory that socialist labor is a commodity is that under the socialist system there exists "individual ownership" or "private ownership" of labor and labor is a means of life. Therefore, labor is naturally a commodity.

The so-called argument that labor under socialism is owned by individuals or a private possession is itself a topic that has not been proved and it can thus hardly hold water. What is actually meant by "individual ownership of labor"? Three interrelated things of different facets need to be differentiated and analyzed. 1) In physiological terms, labor-power is just a kind of ability inherent in the living body of a human being. No labor-power can be independent from individual human being. Therefore, we can refer a person's labor-power to his hands or feet. If this is called individual ownership of labor, it will be not the relationship of ownership in economic terms. The individual ownership of labor in this sense is applicable to all people with labor-power, including slaves, slave owners, and people in the future communist society. It is of no economic significance at all. 2) In terms of personal freedom, all people who are not subject to any personal affiliations or to other extraeconomic forces but enjoy personal freedom are entitled to dispose of their own labor-power. The same is true of free individual laborers, free wage workers, and even true of all exploiters. If this is called individual ownership of labor, it will be not the individual ownership in terms of ownership of major factors of production. This will not cause people to sell their labor-power and not involve the problem of ownership of labor and its realization in the internal and external economic relations. The so-called individual ownership of labor in this sense is of no special economic significance, apart from showing that laborers and even exploiters are free people. 3) In economic or ownership terms, the question of individual ownership of labor exists only with wage workers. The individual ownership of labor in economic terms is inseparable from labor as a commodity. It is therefore the two aspects of a thing. Only when labor is sold as a commodity can there be the problem of the realization of ownership of labor or possession of labor. Especially, as opposed to other commodities, labor as a commodity can neither be stored and stockpiled nor be sold at a time and at a price one thinks fit. If labor is not used or sold in a day, a year or even longer, it will vanish with the lapse of time. Therfore, for those who do not work or put their labor on the market at all, there will be no question of the individual ownership of labor in economic terms to speak of. As the owner of labor-power, once a laborer makes a deal with the owner of money on the market, or he sells his labor-power as a commodity, he will become a wage worker. Marx pointed out: "The characteristics of the capitalist epoch are that as far as a worker is concerned, he owns labor-power as a form of commodities and therefore, his labor is of wage labor in form. ("Collected Works of Marx and Engels," Vol 23, p 193) Therefore, the argument that regards labor under socialism as a commodity will lead to the erroneous conclusion that the socialist system is also a system of wage labor.

Labor as a means of life and labor as a commodity are not a casualty. From primitive to communist societies, labor is always a means of life. However, in a communist society, apart from a means of life, labor becomes life's prime want. As a means of life, labor is applicable to both small producers and socialist laborers. There is no problem of selling labor with the former. In the socialist economy, although labor is a means of life, it only determines that labor contributions and labor payment are interrelated. In other words, it has something to do with distribution according to work and has nothing to do with labor as a commodity.

The Argument That Regards Socialist Labor as a Commodity Will Obscure the Essence of Socialist Economic Relations

Another argument of the theory that socialist labor is a commodity is that socialist mass production calls for a rational flow of labor and labor mobility is achieved through market exchange. Therefore, labor is a commodity.

This inference is not necessarily appropriate. First, the labor flow we discuss here and the free flow of commodities in all markets are not the same thing. Still people are not encouraged to seek jobs as they please in disregard of the requirements of the state plan and overall arrangement and exclusively out of personal consideration. While a rational flow of labor is encouraged, labor should be relatively stable. Stressing one side of a coin to the neglect of its other side means one-sidedness. Second, by labor flow we mean chiefly the flow of qualified personnel rather than the sale of labor as a commodity in the market. We should not regard the flow of qualified personnel exclusively as a relationship of exchange between labor as a commodity and money. Third, we should not judge whether labor is a commodity by whether there is a flow in labor. Even in capitalist countries there are in reality many staff members and workers who work in one and the same enterprise all their lives and moreover, some enterprises practice a lifetime hiring system under which the labor of wage workers remains a commodity. With a rational flow of labor being encouraged in our country, most staff members and workers and qualified personnel of various types will stay to work in their former work units for a long time. Whether or not they move to new work units, the relationship between them as individuals and society and collectives is the same, that is, not a relationship of labor selling. What particularly notes mention is that in the Soviet Union and some other socialist countries, the flow of labor has always been allowed. Stalin was even deeply concerned that 30 to 40 percent or more of the workers in most Soviet enterprises moved on to work in other enterprises within four or six months and adopted countermeasures against the mobility of labor. However, no one in these countries has, for quite some time, ever advanced the theory that labor is also a commodity under socialism just because of the aforesaid situation.

Whether or not labor is a commodity is decided by the socioeconomic status of laborers and the essential relationship of the mode of production rather than the superficial phenomenon in which whether labor is allowed to flow or not. Only a laborer who does not possess any means of production or products or does not jointly possess them with other laborers, and who, as a free wage laborer, creates surplus value for the employer under the latter's exploitation can produce labor as a commodity. Socialist laborers jointly own the means of production and products and they are the masters of society and products and not exploited wage laborers. Therefore, their labor is not a commodity. Marx said: Capital is a prerequisite for wage labor. In the place where there is no exploitation of wage labor by capital, the buying and selling of labor as a commodity is therefore nonexistent. This being the case, the assertion that under the socialist system laborers still "do not own a thing in the world" or "are still separated from the means of production" and therefore have to sell their labor as a means of life is not appropriate. The argument that stubbornly asserts that our individual staff members and workers should sell their labor to staff member and worker collectives will mean that every individual staff member or worker is the employer of the other staff members and workers, and at the same time, he is employed by other staff members and workers. Therefore, the socialist relationship of mutual cooperation and help among staff members and workers is interpreted as a relationship of buying and selling labor as a commodity among themselves, thus confusing the essence of socialist economic relations.

The assertion that "if labor is not a commodity, there will hardly be any genuine commodity economy" is a bit too arbitrary. Historically, in the last several thousand years expanding from a slave society to a feudal one, a simple commodity economy existed and developed in a great variety of forms. Can they not be regarded as a genuine commodity economy? Can the commodity economy currently being developed in our country in which labor mobility has not yet been achieved and labor is not traded as a commodity not be regarded as a genuine commodity economy? What is the definition of a commodity economy? It is nothing but the unity of commodity production and commodity exchange. In the past people stubbornly asserted that the commodity economy fell in the category of a capitalist economy that included labor as a commodity and were opposed to its application in the socialist economy. But now there are people who are conversely arguing that the precondition for a genuine commodity economy under socialism is labor taken as a commodity. Reaching the same goals by different routes, the two arguments have a consensus of views on the connotation of commodity economy.

The Argument That Regards Socialist Labor as a Commodity Will Negate the Socialist Principle of Distribution According to Work

The proponents of the theory that socialist labor is a commodity say: Only when labor is exchanged as a comomdity "can the principle of distribution according to work be really implemented."

Distribution according to work and distribution according to the value of labor are a relationship of two mutually exclusive, essentially different things. Under the capitalist system, wage is the price of labor sold and the manifestation of the value of labor. In this regard there is no relationship of distribution according to work to speak of. The value of labor is determined by the amount of the labor-time required for the production of labor-power and the conditions of labor market supply and demand and decided before labor is proceeded, and it has nothing to do with the results of the labor. However, the amount of income earned in accordance with the principle of distribution according to work is determined by the work results and contributions of laborers and is decided after labor is done. The fixed wages set exclusively in advance cannot properly embody the principle of distribution according to work. In the ongoing economic structural reform, many enterprises have put an end to the practice of setting wage income exclusively in advance and linked the amount of their income with the fulfillment of the tasks they contracted and the growth of economic results they gained from their operations. This income from labor apparently has nothing in common in the slightest degree with the price of labor determined by the value of labor and labor market supply and demand. In order to avoid confusing wage income with the value and price of labor, Yugoslavia has abolished the concept of "wage" in favor of the concept of "personal income." The income from a laborer's contributions in work in his personal income is determined by the "basic points" which are the indicator for the contributions he has made in work.

Moreover, if distribution is carried out according to the value of labor, the income of laborers will have nothing to do with surplus products and their value. The latter is owned by others. However, distribution according to work means distribution of products owned jointly by laborers and of the national income. Apart from the portion of products distributed among laborers as consumer goods according to work done, the remaining products and their value will go directly or indirectly to laborers in the form of social deductions. The higher the development level of socialist production, the more social wealth and the greater the disparity between the income earned in accordance with the principle of distribution according to work and "the value of labor" will become. This is because distribution according to work is not restricted by "the value of labor." However, an article says: That "the income of laborers form their labor is greater than the value of labor" is the basic characteristic of socialist labor exchanged as a commodity. This view is self-contradictory. If labor is a commodity, wage is then the manifestation of the value of labor and under the principle of exchange at equal value, laborers will no longer surely obtain the value of some surplus products outside the value of labor. If the income of laborers is bound to surpass "the value of labor," their wage and bonuses will not be the value or price of labor and therefore, labor is not sold as a commodity. If labor is a commodity, the value of labor will drop along with the increase of the productive forces and moreover, the ratio of necessary products will continuously become relatively lower. Under the principle of distribution according to work there is no such economic mechanism, which calls for a continued increase in labor income along with the improved productive forces and the wealth increasingly created by laborers. To put it briefly, the socialist principle of distribution according to work cannot be applied hand in hand with the practice of income earned according to the value of labor.

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ECONOMIC DEVELOPMENT ZONES

COASTAL CITIES MUST BUILD EXPORT ECONOMY

OW050901 Beijing XINHUA Domestic Service in Chinese 0629 GMT 4 Oct 86

[Commentary by XINHUA commentator: "Coastal Cities Should Develop an Export-Oriented Economy"]

[Text] How to enliven the economy of coastal cities is an important question facing China's economic construction. Most of our country's coastal cities are engaged in processing industry. In the past, this industry yielded a rather good economic benefit because of the relatively low raw and semifinished material prices and labor wages. In recent years, however, there has been a rise in both raw and semifinished material prices and energy costs as well as in labor wages; Accordingly, coastal cities have been confronted with the problem of being unable to bear the increased burden. In certain cities, some industries have even shown a tendency of decline of production. This points to an urgent need to explore a new way for the economic development of coastal cities. As is clear now, the way is to develop an export-oriented economy.

With the all-round development of the socialist modernization program, our country's inland economy is developing with each passing day. Many inland areas that previously supplied coastal cities with large quantities of raw and semifinished materials have not begun to develop their own processing industries, and some of them have even been rapidly developing processing industries. Under such circumstances, the raw and semifinished materials coastal cities can obtain from inland areas will become increasingly less; what is more, they will meet with new competition in the markets in inland areas. Coastal cities should develop an export-oriented economy and improve their competitive edge to blaze new trails in the international market. This is the only way to avoid finding the going tougher and tougher in the days to come.

Viewed from the positive side, the development of an export-orinted economy in the coastal cities will have the effect of spurring the economic development of the whole country, especially that of inland areas. As windows opening China to the outside world, coastal cities can provide the various localities with experience in importing advanced technology and managerial expertise and play a role as base areas and bridges in this regard. While developing an export-oriented economy, coastal cities can also develop their association and cooperation with other localities, thereby providing new opportunities for the latter's economic development.

To develop an export-oriented economy, it is necessary to import raw and semifinished materials from abroad, process them, and manufacture products for export to international markets. In the present world economic situation, characterized by an open international market, the export-oriented economic mode is greatly conducive to ensuring rapid growth of the economy. In quite a number of countries and regions, the economy of their coastal cities is growing by leaps and bounds because of the adoption of the export-oriented economic mode. Since most of the coastal cities in our country have a relatively developed economy, a fairly complete industrial sector, a rather good scientific and technological basis, an abundant labor force, and the capability and experience to process export products, they possess the conditions for developing an export-oriented economy.

The primary question now is how to unify our thinking, use the opportunity, give play to our strong points, and change our pattern of economic development as soon as possible. We should note that coastal cities in some countries are gradually reducing the production of labor-intensive products because of rising labor wages, and are shifting to producing more technology- and knowledge-intensive products. This trend gives us an opportunity. While we prepare ourselves for the production of technology- and knowledge-intensive products, we should take advantage of the opportunity and make full use of our abundant labor resources to develop labor-intensive products. This will play an important role in enhancing our competitive power on the international market.

Some Chinese and foreign economists hold that the economy in the region surrounding the Pacific Ocean will become more prosperous in the next century. As many of our coastal cities are important cities in this region, whether or not they can keep up with the regional trend of becoming more prosperous in the next century will be of great importance to their own economic development as well as China's national economic development. We should seize the opportunity, meet the challenge, and strive to develop an export-oriented economy.

Of course, there are many difficulties coastal cities face in developing an export-oriented economy. However, further progress in reforming our economic structure and political system will surely create more and more favorable conditions for us to overcome these difficulties and develop an export-oriented economy. By perfecting our policies and carrying out thorough reform, we will be able to accelerate the construction of basic facilities in coastal cities, provide a good investment environment for foreign investors, attract more foreign investment in processing and manufacturing industries in our coastal cities, increase imports through various channels to raise the level of technology and management of coastal cities, gradually harmonize foreign trade relations, improve efficiency in foreign affairs, and enhance economic results in foreign trade.

In short, it is not only necessary but also possible for coastal cities to develop an export-oriented economy. As the situation in each coastal city differs from that in another, they must each consider their own realities and local conditions in developing an export-oriented economy. However, they must all seek peal development in the course of carrying out reform and further opening to the outside world.

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ECONOMIC DEVELOPMENT ZONES

JIANGSU PORT CITY LURES FOREIGN INVESTORS

OW150306 Beijing XINHUA in English 1610 GMT 14 Oct 86

[Text] Nanjing, 14 October (XINHUA)--The port city of Lianyungang in east China's Jiangsu Province has worked out a more preferential code of regulations to lure foreign investors to the city's economic and technological development zone.

"This code will enable the investors to profit more compared with previous years," Mayor Tang Guanhui said here today.

According to Tang, the 20-article code is mainly to encourage the investors by reducing or waiving various taxes and providing other preferential treatment.

Enterprises whose contracts last more than 10 years will be income-tax exempt for 2 years after the enterprise begins to show profit, and only have to pay half of the tax amount the following 2 to 3 years, the mayor said.

Enterprises in low-profit industries like agriculture and forestry will continue to enjoy the treatment for another 10 years, and then their income tax will be reduced by 15-30 percent, according to the mayor.

Before 1990, the enterprises will not pay the local surtax, Tang said, adding that the city government will do what it can to guarantee the production of the enterprises.

"The equipment, vehicles and other materials they import for their own use will be free from customs duties," the mayor said.

The contracted term for the joint-ventures can last 40 to 50 years, Tang said. "We welcome all investors to our city and we especially welcome those who are engaged in such industries as electronics, meter-making, precision-machinery, light industry, food, textiles, and new materials and chemicals."

Lianyungang in east China's Jiangsu Province is one of the 14 coastal cities open to foreign investment and a port city linking the coastal areas with the western part of China. Its economic and technological development zone which opened 1 year ago covers 10 square kilometers. The infrastructure first built on an area of 0.3 square kilometers are ready for use by foreign investors. The city mayor said that the city has held talks on more than 100 projects with firms from 13 countries and regions and 7 contracts have been signed and construction is soon to begin. Eight more projects are expected to begin next year.

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CSO: 4020/27

ECONOMIC DEVELOPMENT ZONES

LIAONING ON CONSTRUCTION OF DALIAN DEVELOPMENT ZONE

SK170715 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 26 Oct 86

[Reporter Commentary: "Vast Vista of the Dalian Development Zone"]

[Excerpt] The day 15 October marked the second anniversary of the construction fo the Dalian Economic Development Zone, which has attracted worldwide attention. The (Matiaozi) Area in Jinxian County was an area of barren hills 2 years ago, but now the infrastructural projects in this area have been provided with supporting facilities. Projects built with foreign investment and by establishing lateral ties at home are successively under construction. Some projects of such kind have been completed and have gone into operation. All policies, rules, and regulations have basically been improved, and the management work has also taken on its course. An embryonic form of a new modernized industrial (? city) has presented itself before our eyes.

Developing, building, and striving to construct a stretch of land, [words indistinct] is an important principle of the Dalian Development Zone to make progress. Over the past 2 years, the state has invested 300 million yuan to build infrastructural projects in the development zone, and the infrastructural projects worth 261.55 million yuan have been completed. So far, six main streets of [words indistinct] and [words indistinct] road of the industrial complex have been open to traffic. Such projects also have been completed and commissioned as a postal and telecommunications building with a 4,000-line program-controlled system, a water treatment plant with a daily capacity of 50,000 tons of water, an LPG station with an annual capacity of 5,200 tons of LPG, a 66,000-volt power transmission line, the (Zhongxing) transformer station, a power supply system in [words indistinct], and two flood drainage channels separately in the eastern and western parts of the development zone. Some residential buildings, guest houses, primary and middle schools, nursery schools, and social service centers have successively been completed and gone into operation. Conditions for making investment and service utilities have further been improved. An ideal environment for absorbing domestic and foreign traders to make an investment in running plants has been created.

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CSO: 4006/67

ECONOMIC DEVELOPMENT ZONES

QINGDAO, YANTAI SAID READY FOR INVESTMENT

Jinan DAZHONG RIBAO in Chinese 4 Sep 86 p 1

[Article by Zheng Bosheng [6774 0590 3932]: "The Qingdao and Yantai Economic Development Zones [EDZ's] Are Ready for Investment and Setting up of Factories; All Facilities Are basically Finished, and the Three Economic Laws and Regulations Are Established; Businessmen From Over 20 Countries and Regions Have Come To Investigate, Visit, and Discuss Business, and Have Signed Over 100 Contracts, Agreements, and Letters of Intent"]

[Text] The EDZ cities of Qingdao and Yantai officially began construction in March 1985, and have not created the basic investment climate for foreign businessmen in the 1-square-km areas. In the past year or so, over 1,300 people from over 20 countries and regions have come to the 2 EDZ's to visit, investigate, and discuss business, and over 100 contracts, agreements, and letters of intent have been signed.

In the past year or so, the two EDZ cities have upheld the principle of "making profits while developing," and have focused their energies on doing a good job of the first phase of building various infrastructures and surface facilities within 1-square-km areas.

Backed by the relevant Central Committee, provincial, and municipal departments, by 15 August 1986 over 5,000 builders from all areas in China had taken part in building the two EDZ's, and over 187 million yuan had been invested in various capital construction projects, or over 95 million yuan in Qingdao and over 92 million yuan in Yantai. The whole project of building roads and communications facilities, as well as heat, power, and water supply, drainage, and pipelines to supply gas within a 1-square-km areas in the EDZ's, and conveyance systems beyond them, is approximately 80 percent finished. Construction was begun on over 160,000 square meters of surface projects, and over 70,000 square meters has been finished. Of this, the Qingdao EDZ has finished two 6-story general factory buildings, a 5-story industrial warehouse, a light steel factory building, and some living and service facilities, totaling over 40,000 square meters, in addition to building two 22-story hotels of which 18 stories have been completed on one and six on the other, respectively; the Yantai EDZ has finished two 5-story general factory buildings, two special-purpose factory buildings, two storied buildings as living quarters for staff members and workers, and industrial warehouse, and some service facilities, totaling over 30,000 square meters. The two EDZ cities are now ready for investment and setting up of factories.

In the wake of the formation and perfection of conditions for investment in the EDZ's and, in particular, since Shandong Province has published the three economic laws and regulations for EDZ's on enterprise registration, labor supervision, and land management, businessmen from various countries have shown great interest in investing in the two EDZ cities. Over 490 groups and over 1,300 people from over 20 countries and regions, such as the United States, Japan, England, France, the FRG, Canada, Singapore, and Hong Kong, have come to the two EDZ cities to visit, investigate, and discuss business, and over 100 contracts, agreements, and letters of intent have been signed. The Yantai EDZ now has two Chinese-foreign joint ventures in official operation and an additional six projects preparing to go into operation, with the investment in the eight projects topping 139 million yuan. Negotiations on five more Chinese-foreign joint ventures are scheduled to be finished by the end of 1986. The Qingdao EDZ has concluded negotiations on four Chinese-foreign joint ventures in laser hologram technology, liquid crystal display screens, machine-embroidered hems, and sanitary wrappings for fast foods, with an investment topping 7 million yuan, which are scheduled to go into operation in 1986; it may also sign official contracts for eight additional Chinese-foreign joint ventures in 1986.

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ECONOMIC DEVELOPMENT ZONES

QINGDAO CITY MAYOR VIEWS 200 MILLION YUAN INVESTMENT PLANS

HK091305 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0331 GMT 8 Oct 86

[Text] Qingdao, 8 Oct (ZHONGGUO XINWEN SHE)--In the coming 5 years, China is going to invest over 200 million yuan in the Qingdao Economic and Technological Zone to build a new oil port capable of handling 17 million tons of oil and a large coal and sundry goods wharf capable of handling 17 million tons of goods. Eventually, Qianwan Port in the development zone will be able to handle nearly 100 million tons of goods, a 400 percent increase over the present Qingdao Port.

This was disclosed by Guo Congnian, mayor of Qingdao City, a few days ago while receiving Chinese and foreign reporters.

This economic and technological zone is located in Huangdao, an island 2.26 nautical miles away from the urban areas of Qingdao. With an area of 152 square kilometers and a 72-kilometer-long coastline with bays of various sizes, the whole zone is an ideal base for developing sea transportation.

The construction of the development zone began in March of last year. At present, 13 square kilometers of the ground construction have been completed, of which, an area of 1 square kilometer has been prepared for investment; a further 2 square kilometers is being completed. So far, five enterprises jointly owned and run by China and foreign businessmen, and 7 domestic enterprises have decided to set up their offices here. By the end of this year, 10 items will enter into the stage of production or trial production. Of these, health drinks, grinding materials and tools, health boxes for quick meals, machine-embroidered lace trimmings, techniques for laser photography, and so on, will be formally put into production.

The overall plan for the economic development of this zone is being enacted. It has been decided to set up five commodity bases of fruit, vegetable, aquatic products, foreign trade products, and construction materials in the zone.

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ECONOMIC DEVELOPMENT ZONES

SHANGHAI PEOPLE'S CONGRESS STANDING COMMITTEE HOLDS MEETING

OW311946 Shanghai City Service in Mandarin 0000 GMT 28 Aug 86

[Text] The 23rd Session of the 8th Shanghai Municipal People's Congress Standing Committee began 27 August. Entrusted by the municipal government, Li Gonghao, vice chairman of the Municipal Planning Committee; (Bao Youde), director of the Municipal Finance Bureau; and Hou Lushi, deputy secretary general of the Municipal Government, separately delivered reports on the implementation of the municipal economic and social development plan for 1986 in the first half of the year, the fulfillment of revenue and expenditure for January to June, and the progress in the execution of 15 practical things closely related to the people's livelihood in the first half of this year.

Chairman Hu Lijiao and Vice Chairman Wang Jian presided over the meetings in the morning and the afternoon respectively. The 23rd Session of the Municipal People's Congress Standing Committee will last for three days.

In his report to the 23rd Session of the Municipal People's Congress Standing Committee, Li Gonghao, vice chairman of the Municipal Planning Committee, said: Generally speaking, the municipality's economic situation in the first half of 1986 was good. Evidence is as follows: 1) Steady growth in gross domestic product [GDP], accelerated development of the tertiary industry, and fresh readjustment of the production structure. The municipality's GDP reached 24.2 billion yuan in the first half of 1986, or an increase of 4.9 percent over the same period in 1985. The growth rate is normal since it represents 48.4 percent of the annual plan; 2) a rosy prospect in foreign trade as manifested by the all-round upturn in export earnings, the volume of transactions, procurement,and imports; 3) a pickup in commodity sales, and the presence of stable markets and controlled commodity prices; 4) rapid progress in key construction projects and smooth progress in the execution of 15 practical things closely related to the people's livelihhod; 5) major achievements in science and technology and fresh development in culture, education, and hygiene work; and 6) headway made in economic and technical cooperation and fresh advances in lateral economic ties.

The report pointed out that the overall economic situation in Shanghai has been good so far and development is sound. However, while forging ahead we must pay attention to slow growth in industrial production; uneven and declining quality for some products; and disappointing economic results.

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CSO: 4006/64

SHANGHAI REGULATES FOREIGN REPRESENTATIVE OFFICES

HK310328 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0610 GMT 29 Aug 86

[Text] Shanghai, 29 Aug (ZHONGGUO XINWEN SHE)--The Shanghai Municipal Government will protect the legitimate rights of foreign enterprises' permanent representative offices and their working personnel according to law and provide convenience for their normal businesses.

This is quoted from "Regulations Regarding Management of Foreign Enterprises' Permanent Offices in Shanghai (for trial implementation)" promulgated by the Shanghai Municipal Government not long ago.

The main contents of the 22-article-regulations include the following:

If a foreign enterprise plans to set up a permanent representative office in Shanghai, it should, in light of the nature of its business, ask a local enterprise or company doing business with foreigners to submit its application to Shanghai Foreign Trade Committee. After examination, the application will be submitted to the relevant state departments for approval;

Within 30 days after the approval, the instrument of ratification should be registered with the Shanghai Industrial and Commercial Administrative Management Bureau. The registration paper, which is valid for 1 year, should be extended within 30 days of the expiration date. Without approval and registration, no individual should carry out any commercial activities in the capacity as personnel of the permanent representative office or put up symbols of any foreign enterprise;

The permanent representative offices of foreign enterprises in Shanghai are organs not directly engaged in operation. They can only make business contacts and offer services on behalf of foreign enterprises. If the governments of the two countries have concluded any agreement, the terms of the agreement should be followed;

The permanent representative offices and their working personnel should abide by China's laws, decrees, and regulations. They should do business under the supervision of the Shanghai Industrial and Commercial Bureau and other responsible departments and should submit an annual report on their businesses to the relevant departments for examination. The Shanghai Industrial and Commercial Bureau has the right to examine and handle in accordance with law the violations of "Regulations" or other illegal activities; and

These regulations are also applicable to the permanent representative offices set up by enterprises run by overseas Chinese, Hong Kong, and Macao businessmen.

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CSO: 4006/64

ECONOMIC DEVELOPMENT ZONES

NEW SHANGHAI ECONOMIC ZONE ATTRACTS INVESTMENT

OW141815 Beijing XINHUA in English 1504 GMT 14 Oct 86

[Text] Shanghai, 14 October (XINHUA)--The Minhang Economic and Technological Development Zone in Shanghai has become more attractive to foreign investment since it was set up 2 months ago.

Zhang Gongfu, deputy general manager of the Minhang Joint Development Company, Ltd., said here today that three more contracts establishing foreign-funded companies have been signed in just 2 months, with others still under negotiation.

The 2.13-square-kilometer zone is 30 kilometers southwest of Shanghai city proper. Originally, it was designed to be a new industrial zone for this largest industrial city in China and no special preferential terms were offered to foreign investors after it was set up in 1983. Though many overseas business people came on study or negotiaion tours, no substantial results have been reached. The Shanghai Universal Toys Company, a Shanghai-Hong Kong joint venture, which began operation here last year, had been the only joint venture in the zone, Zhang said.

The deadlock was broken when the zone became an economic and technical development zone that has been empowered to offer preferential terms to foreign investors.

The three new ventures are the fluid sealant company, a solely U.S. investment; a cosmetics company, a Sino-Japan joint venture; and a textile mill, a Shanghai-Hong Kong joint venture. All will be in operation in the zone by early next year, Zhang said.

Preferential treatment offered includes a 15 percent cut in the income tax rate and the exemption of income tax on the part of dividends foreign partners remit abroad.

Zhang said that one fourth of the 40,000 square meters of general workshops built have been sold out and the rest have been booked by prespective investors.

He disclosed that at least two more contracts, one on soft drinks production and the other on medicine, will be signed soon with U.S. firms.

Another new development zone in the city which has been approved of being an economic and technological development zone is the Hongqiao Zone on the western outskirts of the city. The zone will be a diplomatic, international trade and tourist hotel center. It has already attracted nearly 200 million U.S. dollars in direct foreign investment.

Four high-rise hotel and apartment buildings, jointly undertaken by China and firms from the United States, Japan and Hong Kong, are rising. The Japanese general consulate has already chosen its site there. The United States, the Soviet Union, Britain and Federal Germany all expressed the intention to open their consulates there.

It was estimated that the two development zones will attract one sixth of the total direct foreign investment that will flow to the city.

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CSO: 4020/27

BRIEFS

ANHUI GOVERNOR MEETS STUDY GROUP--From 31 August to 17 September a 24-member study group from the State Council's Shanghai Economic Zone Planning Office, which was led by its deputy director, (Zhou Guangchun), visited Anhui's Dabeishan Old Revolutionary Base Area to inspect its work and help promote economic ties with other areas. During the 18-day inspection tour a total of 85 agreements on economic cooperation were signed. The implementation of these agreements is of great significance for accelerating the development of the old revolutionary base area. During the study group's stay in Anhui it was received by Wang Guangyu, chairman of the provincial People's Congress Standing Committee; Wang Yuzhao, governor; and Meng Fulin, vice governor. Governor Wang Yuzhao and Vice Governor Meng Fulin held cordial talks with the members of the group on the morning of 18 September. They discussed problems encountered during the tour. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 20 Sep 86 OW] /9738

ZHANJIANG EXPANDS EXPORTS--Guangzhou, 14 October (XINHUA)--The first 10 foreign-funded firms in Zhangjiang Economic Zone, Guangdong Province, have steadily increased foreign currency earnings since completion last year. These Sino-foreign joint ventures and cooperative businesses earned 1.58 million U.S. dollars in the first 8 months of this year, almost as much as in 1985, a Zhanjiang City official said today. Their export products include plastic products, mini-radios, tape decks, clothing and foodstuffs. Zhanjiang is one of 14 coastal cities with greater authority over foreign investment and trade. The 9.2 square kilometer Zhangjiang Economic and Technological Zone was opened 2 years ago to foreign investors. Now, the zone's infrastructure is complete, with adequate roads, power transmission lines, water supply lines and factory buildings, direct telephone dialing links the zone to Hong Kong, and Guangzhou, capital of Guangdong Province. Overseas investments of 13.48 million U.S. dollars have been used for development purposes. Workers are building 10 firms in the zone to be equipped with updated foreign technology. They will use local resources to manufacture goods for export, including rubber, plastics, hemp, granite slabs and citric acid. [Text] [Beijing XINHUA in English 0214 GMT 14 Oct 86 OW] /12232

CSO: 4020/27

ECONOMIC PLANNING

CHANG JIANG TRANSPORT AIDS DEVELOPMENT OF COMMODITY ECONOMY

Beijing JINGJI RIBAO in Chinese 1 Sep 86 pp 1, 2

[Article by Wang Yang [3076 3152] and Jiang Yang [1203 3152]: "The Commodity Economy and the Rise and Fall of Water Transport; Notes from a Trip up the Chang Jiang; Properly Using the 'Golden Waterway' and Invigorating Chang Jiang Regional Development"]

[Excerpts] [Editor's Note] What is the way to "properly use the Chang Jiang" and promote the development of a commodity economy along the river? This is an important question. In June and July, reporters from this paper went along the river gathering material having to do with how to develop a commodity economy and promote water transport, how to develop the Chang Jiang's resources and stimulate favorable economic cycles along the river, etc. They returned with a number of reports. This paper will continue to publish these reports and hopes that comrades studying this issue will make their views known. [End Editor's Note]

Yichang, Hubei, the place where boats traveling the upper and middle reaches of the Chang Jiang meet. We have heard of many different problems concerning development of the Chang Jiang. Wang Changgen [3769 7022 2704], director of the Yichang Regional Water Transport Management Office, turns to a table and says that the flow of commodities in the Yichang area relies primarily on water transport. The region has 10 large, specialized fleets. In 1984, there was 25,000 HP, with a freight volume of 3.98 million tons; freight turnover amounted to 1.1 billion ton/km, the highest level in history. However, beginning in 1985, shipping went into a slump. The 1985 freight transport volume fell to 2.5 million tons, and freight turnover was only 700 million-plus ton/kh, these two figures each falling 62 percent from 1984. In the first half of this year, the region's specialized fleets did even worse, with freight transport volume declining sharply. As of 15 June, 1.04 million ton/days had been lost, which is to say that 90 percent of the boats spent more than 10 days idle in port.

The situation in Yichang led us to think of the cry we had heard in Chongqing: in recent years, due to a lack of freight to transport, 29 of Chongqing's more than 30 water transport firms have suffered losses. The Chongqing Chang Jiang Shipping Co. directly under the Ministry of Communications, lost 4.8 million yuan, and the Chongqing Shipping Co. lost more than 200,000 yuan. The Minsheng Shipping Co., a key, state-supported collective enterprise, suffered losses month after month, falling into serious difficulty.

What brought this situation about?

As we gathered our information, people reported that there are many different causes: there are the problems of water transport itself, such as the overly rapid development of transport capacity, and the irrational price ratios between water and rail transport that hindered the normal development of water transport. There is also the shortage of core industries along the upper Chang Jiang, and so on. But the most important cause is that in recent years the growth in transport capacity far outstripped the development of a commodity economy, creating a shortage of freight volume.

The assertion is reasonable. Before 1983 there was a shortage of vessels on the Chang Jiang in Sichuan, and transport capacity was inadequate; large quantities of freight along the upper Chang Jiang could not be transported out of Sichuan.

But in just 2 short years since 1984 the relationship between transport capacity and freight volume on the upper Chang Jiang has been completely reversed: from 1979 to 1984 in the Yichang area of Hubei, 10 specialized prefectural and county fleets tripled their fixed assets, and vessel tonnage increased 89 percent.

In 1984 transport capacity in the Chongqing area increased 50 percent over the previous year.

However, the growth of the commodity economy along the upper Chang Jiang could not keep up during these years. Unfortunately people did not see this danger sign and blindly invested in shipbuilding and expanding capacity, giving themselves over to the job of "1,000 ships competing" on the Chang Jiang. This resulted in an extreme imbalance between the growth in water transport and the circulation of commodities.

Chongqing's fleets and constricted market are like a person with one short leg and one long one: how can he take a big step forward?

The planning and economic commissions of Yichang Prefecture and Zhijang, Yidu, Zigui and other counties under it are also worried about the fact that whereas local coal, despite its rather high ash and sulfur content, can still be ordered in considerable quantities, high-quality Shanxi coal is now being transported south in large quantities, so that local coal is unable to find a market. What to do? Sand, stone, and citrus are all carried seasonally! We don't know how many times we heard this concern all along the Chang Jiang in Sichuan, in Leshan, Yibin, Luzhou, Chongqing, and Wanxian.

Consequently, this recent surge in water transport is now facing a depression, and there is a danger of falling into the abyss. Is there no way out for water transport? Of course there is!

Water transport offers more advantages than land transport and has a broader market. The key lies in how to utilize it rationally.

What is heartening is that local leading comrades have already recognized that the current slump in water transport is due to the growth of the commodity economy being momentarily unable to keep up, thus creating a temporary difficulty. This situation will be eliminated as the commodity economy grows vigorously. They are now in the process of contemplating the development of the commodity economy, and they are brewing up a transformation.

In the Regional Territorial Planning Office in Yichang Prefecture hangs a carefully drawn map. As Zhang Huanlin [1728 3562 2651], deputy chairman of the prefectural planning commission, explains confidently, we are looking at the magnificent prospects for future construction in Yichang Prefecture.

The 232 km of the Chang Jiang's banks within Yichang Prefecture will see the appearance of four city and town groups centering on Yichang City and the towns of Sandouping, Zhicheng, and Majiadian. The commodity economy will flourish along with the city and town groups.

Along the 150 km of banks below the future Three Gorges power plant project and Sandouping, industrial zones comprising energy, smelting machinery, and other systems will be established. These zones will consume the abundant local resources of mining and agricultural and sideline products, causing them to yield greater results.

The 100-plus km below Yichang where the water is more than 5 meters deep constitute the "golden waterway" for port construction. A number of deep-water docks will be constructed here to provide excellent conditions for the development of Chang Jiang water transport and the commodity economy.

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ECONOMIC MANAGEMENT

SUGGESTIONS FOR FURTHERING REFORM OF ENTERPRISES

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 5, 23 May 86 pp 5-8

[Article by Chen Guangyi [7115 0342 3015]: "Do a Good Job in Internal Supplementary System and Further the Reform of Enterprises"]

[Text] Editor's note: This is an excellent report which has been confirmed and praised by leading comrades of the State Council. Comrade Chen Guangyi has made an in-depth study of 10 large and medium-size enterprises and analyzed their current situation and problems. He has made some recommendations for future reform and his comments are of widespread significance.

Large and medium enterprises are important pillars in economic revitalization. In the past few years, Gansu Province has steadfastly considered the vitalization of large and medium enterprises as an important task in reform. Now that reforms have taken place, what are the vitality, efficiency, and supplementary support of the enterprises like? How do we further reform them? We will take a look at the Lanzhou Oil Refinery and the other 9 large and medium enterprises in order to gain a firm understanding of these key issues.

The survey shows that during the past few years Gansu has achieved much in reform, just as the rest of the country. The series of measures adopted by the State Council to invigorate enterprises are currently implemented. Enterprises have secured decision-making power in regard to operational plans, product marketing, floating prices, the selection and purchase of goods and materials, the use of self-pooled funds, the disposal of unused assets, the establishment of internal organs, personnel and labor management, wage and bonus distribution, and joint management with other units. The plant director's responsibility system has got on the right track. The management system has begun to break through the old pattern. Cadres' employment and tenure systems are replacing the lifetime cadre system. Economic responsibility systems of various forms are being gradually improved. Horizontal economic links are being made into a complete Lateral economic relations are being formed. Reform has brought vitality to the enterprises, enabled them to develop production, improve results, and increase profit delivery and tax payment to the state. At the same time, enterprises have developed a feel for selling to a market and have increased the number of new products. Their ability to adjust and create has improved and the living standards of employees are continuously rising. However, there are some problems. 1) The distribution and use of retained profits are not totally rational. The main problem is that the proportion of bonus and welfare funds is large while that of production and development is small. The proportion actually used on technological transformation is even smaller. 2) The increase in gross wages is higher than that in labor productivity and profits and taxes deliverd to the state. 3) Enterprise ability to absorb things is weak and most profit increases are a result of government policies and price adjustments. 4) Enterprises have a lot of direct support but lack indirect support.

In our study, we concentrated on problems relating to furthering the reform of enterprises.
1. It is necessary to unify and enhance enterprises' understanding of the objective of reform and put the standpoint of reform on increasing enterprises' ability to transform, develop, and circulate themselves.

The objective of enterprises' reform is to give enterprises the ability of self transformation, self development, and self circulation. Unifying and enhancing enterprises' understanding of this basic objective is an important issue leading to the deepening of enterprises' reform. It is necessary to help enterprise leaders enhance overall point of view and handle well three relations:

A. The relation among the state, enterprises, and staff and workers. Most enterprises have more or less increased the amount of profit retention and used it to develop production and accumulate definite staying power. The use of retained profits is not toally rational in some enterprises. The main problem is that production development funds are relatively skimpy compared to the spending on the welfare and wages of staff and workers. If this continues for a long period time, production will not develop nor will staff and workers' income be stabilized or the results of reform be consolidated and developed. Some enterprises have recognized the seriousness of this issue and begun to curb excessively rapid increase in spendings on the wages and welfare of staff and workers and use the major part of retained enterprise profits in technological transformation. Some enterprises have not recognized this problem. For instance, when studying development plans for the "Seventh 5-Year Plan" period and determining five enterprise funds, quite a few enterprises used the method of "reverse accounting"--namely, securing the end of wages and bonuses first and using what is left for the funds of production development. Therefore, in the face of the new situation of deepening reform, it is necessary to conduct once again the education of correctly handling the relations among the state, enterprises, and individuals and reiterate the principle of "giving the major portion to the state, the medium portion to enterprises, and the small portion to staff and workers." In the reform, we should concretely implement the principle that the increase of wage bill cannot exceed that of labor productivity and profit delivery and tax rates and ensure that the major part of profits retained by enterprises is used for technological transformation and production development. Through the guidance of policies, we should put enterprises' vitality, efficiency and staying power on a reliable foundation.

B. The relation between immediate and long-term interests. Judged from the 10 enterprises of the survey, there are three scenarios: Enterprises with sufficient starting and staying power are the minority while those with sufficient starting power but insufficient staying power are the majority. Enterprises whose products have recently dominated the market and which have transformation projects for now and the "Seventh 5-year Plan" period are the minority and those whose short-term results are good but follow-up development ability is weak are the majority. Plant directors who consider the development of enterprise within their term and at the same time genuinely pay attention in practice to the development beyond their term are the minority and those who consider only results within their term and at the same time make plans for the development beyond their term but have not fully implemented them in work are the majority. This explains that enterprises still need to take a further step to handle well the relation between immediate and long-term interests. We should realize that the ultimate result of enterprise reform is domonstrated by whether or not production can continue to develop and whether or not results can continue to improve. If we only pay attention to staff and workers' immediate interests and short-term development, we will have the problem of depletion and exhaust equipment and human resources, causing enterprises' vitality to weaken. Although most enterprises have realized this problem, they need to adopt effective measures.

C. The relation between microcosm and macrocosm. Enterprises now have two issues concerning microcosm and macrocosm. One is that as far as whole society is concerned, enterprise is microcosm and whole society is macrocosm; the other is that as far as enterprise itself is concerned, whole enterprise is small macrocosm and subsidiary plants, workshops, and administrative and technical offices are microcosm in relative terms. As for the former, it is mainly necessary to clarify enterprise's obligation to society. When it comes to issues concerning enterprise's production and management activities, enterprises should be granted real power. When it comes to issues in economic life concerning the situation as a whole, enterprises should be subordinated to overall guidance, coordination and control. For instance, with regard to production plans, enterprises can organize other production operations according to their ability only after they fulfill state-assigned command plans; with regard to economic results, enterprises should pay attention to their own profit growth and at the same time pay still greater attention to quality and service results. As for the latter, enterprises should smooth out the relation between "large microcosm" and "small macrocosm." This mainly is to downgrade the size of accounting units. Enterprises can apply this method to all subsidiary plants and workshops practicing independant accounting based on commodity output to further delegate production and management rights to grassroots units while exercising control over issues affecting the interests of the enterprise as a whole. The Lanzhou Petrochemical Machine-building Company provides a corresponding control measure whenever it draws up a decontrol measure. It also mobilizes staff and workers to conduct discussions on handling well the relation between microcosm and macrocosm. This combines not only micro-flexibility with macro-control but also the building of material civilization with that of ideological civilization.

The key to handling well the above three relations is to clarify whose interests enterprises' leaders, mainly plant directors, represent. In our opinion, since ours is a socialist country and large and medium-sized enterprises are state-owned, plant directors should first represent state interests. Target control during their office term should include targets for production development, efficiency, new product development, technological transformation, and technological progress. Through the implementation of the term target responsibility system of plant directors (or managers), plant directors (or managers) will lead enterprises to do a better job in organically combining the interests of the state, enterprise and individual, immediate and long-term interests, and macrocosm and microcosm.

2. It is necessary to continue to adopt the policies of decontrol, revitalization and support while strengthening guidance for the use of enterprise funds and internal distribution.

In order to increase enterprises' digestive ability, we need to adopt the method of "driving people to join the Liangshan Mountain rebels"--namely blocking access to indiscriminate price hikes of products and blind pursuit of tax and profit delivery reductions and forcing enterprises to find a way out by improving administration and management and increasing digestive ability. In the meantime, we should continue to raise the profit retention level of large and medium-sized enterprises in a planned and step-by-step manner. On condition that economic results and revenue are not affected, fixed-asset depreciation rate should be raised appropriately. Industries and enterprises with heavy new product development tasks may retain a certain percentage of sales revenue for new product development funds. The regulatory taxes of large and medium-sized enterprises may be gradually reduced and profits accrued as a result of product expansion may be exempted from regulatory taxes. With regard to enterprises whose profit retention level is low (the current standard of Gansu Province is less than 360 yuan per capita), state and provincial treasuries should offer support in regard to policies.

Enterprises should be encouraged to use as much retained profits as possible to develop production. With regard to enterprises' profit retention, Gansu Province plans to use the method of fixing distribution ratios according to different periods, demanding that in general during the base period, no less than 60 percent of retained profits should be used for production development; no less than 50 percent of profit increase retained should be used for production development; and the overwhelming majority of profits gained by enterprises as a result of policies should be used to develop production. Funds needed by enterprises for production development should first come from enterprises' profit retention. Loans may be used only to make up deficiencies. It is not allowed to use large amounts of special loans while there is a surplus of self-pooled funds.

At present, it is extremely important to control the inappropriate growth of enterprises' consumption funds. It is necessary to fix bonus fund retention ratios according to the different situations of different enterprises. Bonus fund retention ratio should be relatively low for those enterprises with higher profit retention level while that for enterprises with little profits should be properly raised. Enterprises practicing the efficiency-related wage system should link wage increase to tax payment and profit delivery to the state and also examine other targets reflecting enterprises' labor results.

As for the arrangement of enterprise transformation projects, Gansu Province plans to set several principles: Self-pooled funds generally should not be less than 50 percent, input-output ratio must be higher than 1:2, and the tax and profit delivery rate of output value should be over 20 percent. In order encourage enterprises' technological transformation, fixed-asset depreciation funds accrued as a result of the construction of projects financed with enterprises' retained funds and loans should be set aside for use by enterprises. Enterprises' gains from newly increased profits should be higher than the pre-set profit retention level. Newly increased profit delivery and tax payment will be temporarily excluded from financial budget before all loans are paid off. Before-tax loan payment must come from profit retention.

3. Developing from single-item breakthrough to internal coordination is the orientation for deepening enterprises' reform.

Enterprises should use the power given by the state, look toward the inside, extend and coordinate reforms, tap potential, and improve quality to seek survival and development in competition. To use enterprises' own language, it is to make "three changes of direction": 1) Instead of looking toward the outside and asking higher levels for more power and preferential policies, we should look toward the inside, do a good job in internal reforms, and tap enterprises' internal potential. 2) Instead of single-item reforms, we should carry out comprehensive, coordinated reforms and revitalize each and every "cell" of enterprise. 3) Instead of paying attention only to short-term efficiency and staff and workers' immediate interests, we should pay attention to long-term efficiency and enhance enterprises' staying power. According to this guiding ideology, we summarized the internal extension of reforms of 10 enterprises into the following five roads: 1) Economic responsibility system (halter) to output- and profit-related contracts (including contracts of material objects), to downsized accounting units, to contracts linked to ability, the fluctuation of costs, and the "digestive ability." 2) The expansion of integration (halter) to the expansion of products, to the expansion of technology and personnel, to the entension of both ends--raw materials and products--to loosely or closely integraded bodies. 3) Enterprise management (halter) to overall quality, target and cost controls, to modernized management. 4) Internal distribution (halter) to enterprises not eating from the "communal pot" of the state, to subsidiary plants and workshops not eating from the "communal pot" of enterprise, to internal distribution (or staff and workers not eating from the "communal pot" of enterprise." 5. Plant directors' responsibility system (halter) to palnt directors' term target responsibility system, to cadre selection and employment system and the cadre promotion and demotion system, to graded responsibility system linked to responsibilities and profits. We understand that the internal development of enterprise reform is not merely simple coordination and perfection, but to spur the reform to continue to develop forward, consider enterprise reform as a system engineering project and complete and improve it in the course of development. Just like some comrades of enterprises said: "Instead of engaging in static coordination and improvement, we should destroy and establish things in a dynamic manner."

4. The task of the superstructure in enterprise reform is to turn "management" into "service."

The internal reform of enterprise has set forth a reform demand on the departments of the superstructure (including central cities, general government organs, and enterprise supervising departments). If the superstructure fails to carry out simultaneous reform, it will affect or even hinder the tempo of the deepening of enterprise reform. At present, there are three scenarios in the external reform of enterprises: 1) Some of the powers given to enterprises by the state cannot be exercised because the reform of some departments of the superstructure is out of line. 2) After enterprises' internal reform, management departments at higher levels still manage enterprises in the old way. 3) Management departments at higher levels begin to have the tendency of competing to be the "mother-in-law" of enterprises, turning previously centralized enterprise supervising departments into "multi-layered" ones. These three scenarios explain that it is urgent to speed up supplementary external reform and that the focus of reform is to change the "management style" to the "service style."

First, change direct management to indirect control and provide a relaxed condition for enterprise reform. It is necessary to clearly determine the scope of responsibilies for management organs and solve their problem of "piling one bed on top of another and building one house on top of another." Enterprise supervising departments should jump out of the word "managing" as in simply managing people, managing money, and managing objects and gradually conduct industrial service. General departments should genuinely embody the spirit of "coordination and service," change "blocking" and "digging" to "dredging," strengthen horizontal consultation between general departments, and solve the existing problem of incoherence of enterprise target systems. Financial and monetary departments which occupy an important position in enterprise reform should genuinely put their foothold on helping enterprises make money because in order to take, one has to give first. This will bring about a benign circle of the economy.

Second, continue to implement the policy of supporting enterprise revitalization. In the past few years, in accordance with the general political principles of the state and the actual conditions of different enterprises, Gansu Province formulated some policy measures which have played a great role in invigorating enterprises, developing production, improving efficiency, and increasing staff and workers' income. Effective policies should be upheld. However, we should conscientiously sum up the experiences of the past few years in implementing these support policies and gradually improve them on condition that the general principle remains unchanged. Especially we should strengthen guidance of policy application for enterprises, ensuring that benefits resulting from policies should be mainly used to develop production. When we formulate new support policies in the future, our attention should be paid to balancing neighboring enterprises to avoid "racing with each other." Generally, such "blood tranfusion" methods as tax reduction, surplus profit retention, and interest deduction will not be applied to enterprises, except for a few with financial difficulties, in order to free them from the state of "infancy" and make them turn pressure into vitality.

Third, cities should create a fine environment for enterprise reform. After enterprises are turned over to central cities, central cities' task is to guide, plan, coordinate, serve, and supervise enterprises. Central cities and general government departments must have a very clear understanding of this point. At present, a prominent task of central cities in regard to serving enterprises is to vigorously develop the tertiary industry and reduce enterprises' social burden instead of increasing enterprises' burdens (apportionment of expenses and work).

5. Mix reform with transformation, development, and opening up.

This year, Gansu Province's economic work should be focused on reform, transformation, opening up, and development. To find a fundamental solution to the problem concerning enterprises' vitality, efficiency and staying power, we must concentrate on reform. Reform is mixed with the effort to solve prominent problems facing enterprises in production development. For instance, enterprises now face a problem of opening up markets and changing from the production type to the production-management-developemnt type. This is an issue of reform as well as an issue of production and management. For another instance, by engaging in expansion and integration, enterprises can increase their ability to develop and adjust and also carry out profound reforms in regard to organization and management. Therefore, simultaenous attention should be paid to both reform and transformation, development, and opening up. Reform should be considered together with transformation, development, and opening up so that the former can give a boost to the latter. Problems in production development are also main directions of attack in reform. Production development plans are also reform programs. We should make reform develop simultaneously with transformation, development, and opening up.

12302
CSO: 4006/1197

ECONOMIC MANAGEMENT

BRIEFS

CONTROL OF AUTOMOBILE BUILDERS--Wuhan, 12 October (XINHUA)--China's Central Government planners will soon take direct control of one of the country's key automobile manufacturers, the Dongfeng (east wind) motor vehicle group, Dongfeng officials said today. Previously under the supervision of local governments and the China Automotive Industry Corporation, the group after 1 January will operate "directly under the State Planning Commission," they said. Under the new system, designed to increase production and exports of some of China's leading products, the Planning Commission and other central government offices will set the group's main economic goals. One Dongfeng official told XINHUA the transfer of control is expected to "strengthen management." The group includes 157 plants scattered throughout 20 provinces. In 1985, it produced 95,515 motor vehicles last year, one-fourth of the country's total. Another of China's major vehicle production groups, the Jiefang (liberation), will eventually be transferred to central government control, the official said, although he gave no details. [Text] [Beijing XINHUA in English 0129 GMT 12 Oct 86 OW] /12913

CSO: 4020/22

GONGREN RIBAO EXPLAINS CHINESE STOCKS, BONDS

CW160920 Beijing XINHUA in English 0909 GMT 16 Oct 86

[Text] Beijing, 16 Oct (XINHUA)--Stocks and bonds bought by people in China differ form those in capitalist countries in one major respect -- their maximum earnings are fixed, the WORKER'S DAILY reported today.

In China, maximum returns have been set at 15 percent, including interest and dividends, which are based on enterprise profits.

State-owned enterprises began selling bonds in the early 1980s, to raise capital unavailable from government banks.

By the end of 1985, enterprises in China had sold 10 billion yuan (270 million U.S. dollars) in bonds and in a limited number of stock issues.

Last February in Shanghai, one of the cities pioneering the country's financial reform, the Yanzhong duplicating company found itself swamped with buyers when it announced that it was selling bonds. It sold 4.5 million yuan (1.2 million dollars) in bonds in just three days.

Other enterprises throughout the country have had similar experiences, the paper said.

It praised the Chinese news media for "giving a good explanation of the advantages of introducing stocks to the enterprises." but it said "they have not said enough about shareholders' risks."

If China does open a full-fledged stock exchange, said the paper, it should be regulated by the government and "a number of large, government-owned enterprises should be involved."

It said banks should also exercise a certain control over stock exchange.

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CSO: 4020/24

FINANCE AND BANKING

INTERIM PROCEDURES ISSUED FOR JIANGXI ENTERPRISE STOCKS, BONDS

OW051636 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 4 Oct 86

[Text] The Jiangxi Provincial People's Government recently promulgated the interim procedures of Jiangxi Province for the administration of enterprise stock and bonds, which went into effect on 1 October.

The procedures stipulate that all enterprises in Jiangxi and those outside Jiangxi wishing to issue stock and bonds in Jiangxi must obtain permission from a people's bank according to regulations. Enterprises issuing stock and bonds must have a certain amount of assets of their own or must obtain the guarantee of an economic entity. The funds raised by an enterprise must be used only for developing production and expanding circulation; they must not be used for other purposes. The purchase of stock and bonds must be based on the principle of voluntariness and compensation. Forced buying is prohibited. In buying stock and bonds, an enterprise must use only those funds it is entitled to use according to state regulations; it must not use state-allotted circulating funds or bank loans to buy stock and bonds. In buying stock and bonds, institutions must use only their surplus extra-budgetary funds. Free transactions and circulation of stock and bonds are not permitted, but they can be transferred or used as a guarantee for loans provided proper procedures are done in a bank or trust and investment company. The ceiling for annual stock dividends plus interest is set at 20 percent of the principal. Annual bond interest must not exceed 30 percent of the annual interest of the same amount of bank time deposit.

The interim procedures also clearly state that Jiangxi's people's banks have the authority to administer enterprise stock and bonds.

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CSO: 4006/65

FINANCE AND BANKING

BRIEFS

SEMINAR ON BANKING, FINANCING--The Bank of China and the Midland Bank Group of Britain began a three-day seminar on banking and finance in Bejing's Great Hall of the People yesterday. The seminar also marks the 70th anniversary of relations between the two banks, and Midland Bank's 150th anniversary. Attending the seminar were more than 100 Bank of China workers from all over China, many of whom have received training in special courses arranged by the British bank for Chinese banking officials in London. Midland Bank was the first European bank since the founding of the People's Republic to be invited to open a representative office in China. And recently, as lead bank, it signed a loan agreement to finance the British portion of the Daya Bay nuclear power station in Guangdon Province. Meanwhile, a Sino-British Trade and Economic Co-operation Seminar will be held today and tomorrow in Shanghai. Sir James Cleminson, chairman of British Overseas Trade Board, said that he believed the seminar will prove "memorable and rewarding for all who participate in it." [Text] [Beijing CHINA DAILY in English 14 Oct 86 p 1 HK] /12624

YANGTZE RIVER VALLEY ECONOMY AIDED--Beijing, 11 Oct (XINHUA)--To encourage economic cooperation among Yangtze River Valley enterprises, China's largest banking system has been established in Wuhan, capital of Hubei Province. "The new system is aimed at making better use of more than 100 billion yuan (27 billion U.S. dollars) of credit loans in the People's Bank of China in 27 large and medium-sized cities, including Shanghai, Nanjing, Wuhan and Chongqing," the PEOPLE'S DAILY quoted a city official as saying today. These cities can now borrow from or issue loans to each other in a bid to push inter-regional economic cooperation between enterprises, and speed up development of energy and materials industries and grain and export-oriented production. To encourage inter-regional cooperation aimed at developing quality products, the banks in any of these cities can grant loans to enterprises in another city with preferential treatment in interest rates. Under China's present financial system, funds are not allowed to flow between banks in different regions. The industrial output value of these 27 cities accounts for a quarter of the country's total. [Text] [Beijing XINHUA in English 1440 GMT 11 Oct 86 OW] /12624

GANSU DEVELOPS MONEY MARKET--In 1985, the province's banks, headed by the People's Bank, established a money market by first forming a short-term capital market. Now, they have handled over 3,000 cases of capital circulation, so that the capital is fully utilized without increasing the gross amount of money. Also, the banks introduced a bills clearing service. Twelve prefectures and cities, including Zhangye, Tianshui, and Jiuquan, have also established clearing houses. Investigations conducted at Lanzhou, Tianshui, and Linxia showed that some 300 million yuan of funds was raised in the form of shares, bonds, and compensation trade. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 4 Oct 86 HK] /12624

QINGHAI FINANCE DEVELOPS RAPIDLY--Since 1978, the province's financial work has developed rapidly. The province has now established a fairly complete financial system with people's banks in the leading role and professional banks as the main part. By the end of August, there were over 800 financial organizations of various kinds in the province. Branches of financial organizations are scattered in all areas of the province. According to statistics, by the end of August this year total bank savings in the province amounted to some 2.87 billion yuan, an increase of 180 percent over 1978. Of this figure, the urban and town bank savings reached 900 million yuan, an increase of 500 percent over 1978. [Summary] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 1 Oct 86 Hk] /12624

CSO: 4006/65

MINERAL RESOURCES

BRIEFS

JILIN MINING INDUSTRY--Jilin Province to date has discovered 72 kinds of mineral deposits that occur in more than 380 pieces. Of these places, more than 70 of them can be developed into large and middle-sized mines that can produce 48 kinds of minerals. The deposits of silica, diatomaceous earth, gold, wulfenite, nickel, and zeolite occupy important positions in the country. At present, the province has 134 state mines at or above the county level and more than 2,390 collective and individual mining enterprises at the township-town level. There are almost 200,000 people engaged in mining. The province's comprehensive system of mining production can turn out 32.28 million tons and 42 kinds of minerals annually. Over the past 30 years since the founding of the PRC, the province's total mining output value has reached 11.7 billion yuan. Particularly over the past 2 years, more than 60,000 peasants have engaged in the mining production of 24 kinds of minerals, and some of them have become wealthy. [Experts] [Changchun JILIN RIBAO in Chinese 20 Sep 86 p 1 SK] /12624

HUBEI MINERAL DEPOSITS--Years of arduous prospecting conducted by the province's geological workers show that Hubei has 116 minerals and has found deposits in mines at 1,322 locations. Deposits of phosphorus, rutile, garnet, and marl are found in the greatest quantities in China, while those of iron, cooper, gold, silver, mercury, and vanadium, a metallic element which occurs in combination in minerals, are not widespread. The proportion of the provincial output value of the mining industry to its gross industrial output value is gradually increasing. Now, 24 counties and cities in the province have set up administrative organizations for mining industry development. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 2 Oct 86 HK] /12624

YUNNAN GOLD--The province has overfulfilled this year's gold production target 4 months ahead of schedule. The province abounds in gold deposits. A number of county-run and township-run gold mines have been established over the past few years. Individual operation of gold extraction was also encouraged. The province's gold output from January to August this year increased by 37 percent over the same period of last year. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Oct 86 HK] /12624

CSO: 4006/65

INDUSTRY

STATISTICS OFFICIALS VIEW 1986 INDUSTRIAL GROWTH

OW090237 Beijing XINHUA in English 0157 GMT 9 Oct 86

[Text] Beijing, 9 October (XINHUA)--The record of industrial achievement for the first nine months of this year has inspired optimism in Chinese statistics officials about the country's realization of an 8 percent growth of the total industrial output value by the end of the year.

The officials said that so far the whole country has realized an industrial output value of 652.1 billion yuan, with a 6.4 percent annual increase on average over the past few years.

The country's goal is to secure a 7 percent increase and strive for 8 percent by the end of this year, according to the state statistics bureau.

Compared with the same period of last year, the growth rate for the first nine months has been going up steadily--4.4 percent for the first three months, 5.3 percent for the second and 9 percent for the third.

They expect a continuous big-scale increase during the next three months.

The power industry has taken the lead among the enterprises, having already attained the state quota, according to the bureau. Electricity output increased by 9.1 percent.

The production of raw materials including steel, cement, glass and nonferrous metals has also increased by a big margin.

The output value of light industry has been increasing faster than that of heavy industry. More refrigerators, washing machines and cassette recorders were manufactured. The production of color TV sets resumed an increasing trend in July.

However, the officials called attention to some prominent problems like overinvestment in means of production, poor quality and the decline of profits. In addition, clogged channels of commodity circulation in rural areas still hampers sales, they said.

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CSO: 4020/22

INDUSTRY

BRIEFS

HEILONGJIANG WOOLLEN TEXTILE PRODUCTION--Harbin, 26 September (XINHUA)--A worsted spinning plant with 10,000 spindles went into production today in Harbin, capital of north China's Heilongjiang Province. With the new plant, Heilongjiang will be able to produce 6 million meters of worsted woollen fabrics annually, as against only 1 million meters six years ago. In the past five years, the province has invested 200 million yuan and US$10 million worth of foreign funds to increase the production of both its worsted and woollen fabrics. Although one of the most important wool-producing areas in China, Heilongjiang once had to buy woollen cloth from other provinces. Now it earns US$10 million a year from exports of woollen fabrics. [Text] [Beijing XINHUA in English 1617 GMT 26 Sep 86 OW] /12913

CSO: 4020/22

SMALL-SCALE ENTERPRISES

EXPERTS' SURVEY SAYS SMALL, RURAL ENTERPRISES NEED INFORMATION

HK220832 Beijing CHINA DAILY in English 22 Oct 86

[By Wen Chunlin]

[Text] Experts in China say that small and rural enterprises are in urgent need of economic and technological information.

The experts in China's Institutions of Information Science reached this conclusion in two surveys they conducted of enterprises across the country.

Rural economic reform has brought about the rapid development of township enterprises. By 1985, there were more than 12 million such enterprises. But many complain of lack of economic information.

More than 40 percent of rural enterprises say they need information on the development of new products and technological imports. They need to know about the market to sell their products.

At present, most enterprises get the information they need through social contacts. Newspapers are also a source of information. Documents and regular reports are seldom available.

In the developed areas of East China, many rural enterprises use the help of universities and research institutions for information because they face stiffer market competition.

Many rural enterprises though, have no access to, or interest in, the latest information from abroad.

As latecomers to the information business, rural enterprises are not regarded as major information users by the State Scientific and Technological Information Department. Although many do not participate in the country's information networks, nearly 50 percent of rural firms say they do not have the time to obtain information.

The surveys showed that the advisory service provided by information departments is welcomed by rural enterprises. It is a more time-saving and effective information service.

CSO: 4020/24

SMALL-SCALE ENTERPRISES

NATIONWIDE PROGRESS FOR TOWNSHIP, TOWN ENTERPRISES REPORTED

Beijing RENMIN RIBAO in Chinese 22 Aug 86 p 1

["Steady Development Seen In Township and Town Enterprises In the First Half of the Year; Enhanced Quality Control and Development of Diversified Lateral Relations Stressed; Gross Enterprise Revenue Grows 20.7 Percent, While GVIO Grows 22.1 Percent"]

[Text] Beijing Zi Ang Xinhua She. According to the Township and Town Enterprise Bureau of the Ministry of Agriculture, Animal Husbandry and Fisheries, China's township and town enterprises still maintained a steady rate of development in the first half of this year, a positive trend. According to incomplete figures from 27 provinces, autonomous regions, and municipalities under the direct administration of the central government, total product marketing and labor revenues for township and town enterprises from January to June were 123.2 billion yuan, of which 83.8 million yuan were accounted for at the township and village levels. Compared to the situation in 25 comparable provinces, autonomous regions, and municipalities under central government supervision during the same period last year, there was a 20.7-percent increase in total township and town enterprises revenues the first half of this year, and a 22.1-percent increase in town and township industrial output.

According to the bureau: In the first half of this year, village enterprises developed more rapidly than township enterprises in China; the pace of development for peasant joint ventures and other cooperative and independent enterprise forms was more rapid than that of village enterprises. As for products, gold production grew 26 percent over the same period last year, raw coal production increased 9.2 percent, and edible oil processing grew 16 percent.

The development of township and town enterprise in the first half of the year showed the following characteristics:

1. Each region treated the development of township and town enterprises as a breakthrough point in the revitalization of the rural economy, and shifted from the past emphasis on development along to quality, management, and efficiency.

2. Each region stressed horizontal relations and economic cooperation which enabled an even wider realm of development for township and town enterprises. Many township and town enterprises teamed up with the appropriate units and departments to engage in production, industrial-trade, capital, production-marketing and technological joint ventures, coordinated processing, and other diversified forms of economic cooperation.

3. The relevant leadership departments improved macroeconomic guidance over township and town enterprises, and while going all out to renovate and maximize the potentials of older enterprises, have done a great job of putting new enterprises into production and obtaining good economic returns, so that the basic construction and technological renovation of township and town enterprises could proceed smoothly.

12221/13104
CSO: 4006/1317

SMALL-SCALE ENTERPRISES

PROFIT DISTRIBUTION REFORM OF TOWNSHIP, TOWN ENTERPRISES

Beijing NONGYE KUAIJI YANJIU [AGRICULTURAL ACCOUNTING RESEARCH in Chinese No 2, 86 pp 20-22]

[Article by Bao Weihe [0545 4850 0735] of the Township and Town Enterprise Bureau of the Ministry of Agriculture, Animal Husbandry and Fisheries: "Suggestions on Profit Distribution Reform of Township and Town Enterprises"]

[Text] I. The Great Significance of Profit Distribution

Profit is the final result of the operational activities of township and town enterprises, the overall measure of the performance level of every enterprise, and the material foundation for the expansion of reproduction, increasing state financial resources, and raising the level of workers' wages. The distribution of profits is the key to the survival and development of township and town enterprise. Doing an appropriate job of handling the relations of distribution involved in enterprise profits is directly related to the major issue of fairly and comprehensively balancing the relations between the interests of the state, collective and individual. If the relations among the three can be correctly balanced, we shall be able to achieve the "three increases," which are: 1) an increase in the state's revenues, enabling the accumulation of capital for socialist construction; 2) an increase in enterprise reserve funds for use in technological renovation, the renewal of equipment, the experimental production of new products, and the increase of economic returns; 3) an increase in the workers' bonus and social welfare funds in order, on the foundation of increased production, to constantly enhance their material and cultural living standards, thereby encouraging the vast ranks of the workers to show concern for their enterprises and improve operational management based on their material interests. If the relationship among the three is handled poorly, losses for the state, collective, and individual worker will be incurred. If the individual and collective are stressed while neglecting the state, loss of control over consumption funds will result, which will be harmful to society as a whole. If attention is paid only to long-term at the expense of short-term interests, and enterprise profits are all allocated elsewhere, it will blunt the workers' enthusiasm, and be detrimental to the development of the enterprise and the conservation of sources of tax revenue. Thus, it can be seen that a sacrifice of any one of the three is detrimental to the consolidated development of the enterprises. The state, collective, and individual must all be considered equally, without favoring one of the three.

II. Current Problems

Some of the numberous problems involved in the distribution of township and town enterprise profits have created serious consequences, which are manifested primarily as follows:

A. Some enterprises are willing to sacrifice capital in order to hand in more taxes, issue more bonuses, retain less accumulation, report less depreciation or none at all.

B. The percentage of after-tax profits extracted at the township and village levels is too high, leaving the enterprises with little retained profit. In some places, 70 to 80 percent of enterprise profits is taken away. In some places, all profits are handed in for centralized allocation. This is harmful to the enterprises' capacity for self-renovation and detrimental to future development.

C. The phenomonom of the "three manys and three fews" has appeared in jointly run peasant enterprises: much distribution to the individual, much profit sharing among shareholders, and high incomes for many shareholders with little profit retained by the enterprise, little profit sharing for laborers, and little income for hired workers.

D. Some places have initiated many public projects but lack the understanding of the necessity to proceed according to ability. Quite a few township (village) governments not only take 10 percent of gross income to provide social subsidies to be completely handed in by the enterprises, but also take away a large portion of after-tax profits so that the enterprise is burdened with the responsibility for providing an excessive amount of social subsidies.

The numerous not totally rational aspects of the distribution of township and town enterprise profits have created the following serious consequences:

1. Quite a few township and town enterprises not only lack sufficient funds for expanded reproduction and technological renovation whenever necessary, but have no choice but to rely on credit to provide for even the maintenance of the circulation funds needed for simple reproduction as well. As a result, the enterprises lack vitality, have no reserves, show reduced profits and garner low economic returns.

2. Handed-in profits are not utilized rationally. Some are used as prefectural and township "small treasuries." The leadership grants indiscriminate approval of expenditures for providing subsidies for workers with difficulties. In some places tall buildings and offices are constructed. Profits are rarely used to develop township and town enterprises or to supplement agriculture.

3. The extraction of much of township and town enterprise profits at the township and village levels have created the false impression among some departments related to rural work that there is much "oil" to be squeezed out of the enterprises, leading to a scrambling to amass funds, charge fees, and offer "support" under numerous guises. This has increased the onerous burden of township and town enterprises and seriously hampered their healthy development.

III. The Causes of the Above Problems

The causes of problems in the distribution of township and town enterprise profits are multifaceted. Some have appeared in the course of the overall economic reform and in the replacement of the old by the new. Some have been caused by the lack of the necessary organization. Some are due to ideological problems, others to practical problems. They all can be summed up as follows:

A. The lack of a unified method for the distribution of profit. Distribution of township and town enterprise profit is indeed complex and highly related to state policy. In stipulating annual distribution ratios, sometimes the enterprise's supervisor organ consults with the tax departments to set provisional rations; in some cases, the ratios are decided on by prefectural and township governments themselves. Due to the lack of unified standards for profit retention and distribution at the higher levels, there are no regulations for the subordinate levels to follow. As a result, standards differ from place to place, some very widely.

B. When handling the distribution of enterprise profits, some cadres ignore objective and subjective conditions, one-sidedly to raise the level of worker income and create competition among the enterprises, creating a tendency towards the artificial raising of per capita income and huge differences in income.

C. The shortage of funds for welfare work has led to encroachments on township and town enterprise profits. In the past few years, there has been an increase in expenditures for rural education, health, family planning, subsidies for military recruitment and militia training, and a growth in work to help the "five guarantee" households, to subsidize households with difficulties, to fund old-age homes, nurseries, and other social welfare activities. This led to high social expenditure and encroachments on a large portion of township and town enterprise profits.

IV. Some Proposals on the Reform of the Distribution of Township and Town Enterprise Profits.

The reform of profit distribution is one of the core problems in the development of township enterprise. Experiments are being conducted to deal with this problem in Beijing, Tianjin, Shanghai, and the southeastern coast where township and town enterprise is more developed. It is my belief that the reform of profit distribution among township and town enterprises must resolve the following problems:

A. Clarifying the Guiding Philosophy Over Profit Distribution

Township and town enterprise profits must be rationally distributed on a foundation of paying equal attention to the interests of the state, collective, and individual. First, state tax revenue must be guaranteed. Township and town enterprises must promptly pay income tax according to state-set tax rates to support economic construction carried out by the state. Second, attention must be paid to enhancing the enterprise's internal accumulation and capacity for self-development. Third, the legal rights of the investor to prompt profit sharing of the amount due must be guaranteed. Fourth, the workers' income must be appropriately increased based on a foundation of increased production, profits, and taxes remitted. Fifth, industry must be made to supplement and build agriculture. Sixth, social welfare measures must be provided with the appropriate funds. In short, in distributing township and town enterprise profits, we must guarantee the continuance of key projects, plus engage in unified planning considering all aspects, while raising our ideological consciousness and balancing the ratio of distribution fairly.

B. Rationally Determining the Ratio of Distribution of After-Tax Profit

At present, regulations have been made in quite a few places concerning the distribution of township and town enterprise profits. For example, the Beijing Municipal Region has stipulated that township and town enterprises profits shall be disbributed according to a "4:3:3"ratio, that is, the enterprise retains 40 percent, hands in 30 percent to the township government (or village government) to be used primarily for the support of agriculture, and delivers the remaining 30 percent to the township (or village) economic organizations (enterprise companies) to be used to expand reproduction or build new enterprises. In Simen Town, Yutao City, Zhejiang Province, a regulation was adopted using a "double 3-7" ratio in the distribution of after-tax township and town enterprise profit, in which 70 percent of after-tax profits is retained by the enterprises for use in expanded reproduction and 30 percent is given over to the town industrial bureau. Of the profit handed in, 70 percent is retained by the bureau to use in supporting the renovation of older enterprises and the building of new township and town enterprises, while 30 percent is given to the town government to use in the construction of small market towns and other expenditures of a social nature. Lonan Township of Shanghai's Baoshan County adopted a "3:3 system" of profit distribution, in which one-third of the net profit of township-run enterprises is retained by the enterprises to use in technological renovation, equipment renewal, to supplement circulation funds, and enhance the enterprises' capacity for self-renovation and development; another one-third is retained by the township economic organizations (industrial companies) to use in developing new projects, creating new enterprises or engaging in large-scale technological renovation, increasing township and township enterprise reserves, at the same time augmenting the investment of intellectual resources, doing a good job of worker education and personnel training and accelerating the pace of personnel development; the last one-third is handed in to the township government for use in public welfare measures, urban construction and support of the production of agricultural byproducts whenever administrative funds from the township government are insufficient to cover these expenditures.

My proposals:

1. Most of the township and town enterprise after-tax profits, generally not less than 60 percent, should be retained by the enterprises. Most of the profit retained by the enterprises should be used to augment development funds and carry on expanded reproduction. A small part should be used to increase bonus and social welfare funds in order to enhance the workers' real income.

2. The proportion of profits handed in to the township and village governments should not generally exceed 40 percent of after-tax profits. Most of this money should be used to develop township and town enterprise. A small portion should be used to supplement agriculture and to provide for supplemental social expenditures.

3. Regulations concerning the distribution of after-tax profits of peasant joint-stock enterprises should be clarified. The ratio between distribution according to labor and capital must be appropriate. A definite percentage must be retained for public use. Profits cannot be totally divided up. Generally the "2:5:3" ratio should be used--that is, 20 percent distributed according to the number of shares held, 50 percent according to the amount of labor performed, and 30 percent to be retained by the enterprises as public accumulation.

C. Clarifying All Usages by Strick Review Procedures

First, are the uses of profits retained by the enterprises: 1) primarily for technolgical renovation, equipment renewal and expanded reproduction; 2) to supplement insufficiencies in the enterprises' own funds; 3) to develop intellectual resources and to train personnel in engineering technology, business management, accounting, marketing, etc.

Second come the uses for profits handed in to economic organizations: 1) to invest in new enterprises; 2) to renovate older enterprises, particularly those lacking the capacity for self-renovation; 3) to train cadres, plant directors, accountants, technicians, marketing personnel, etc.

Third are usages for profits handed in to the township (village) economic organizations: 1) to use in agricultural capital construction, price subsidies, and other forms of industry supplementing agriculture; 2) to meet small-town construction and public welfare expenditures; 3) to compensate for insufficient administrative funds.

The percentage of profits to be used for the above-noted items should be rationally determined according to local conditions so that these limited funds are spent exactly where needed.

Management of funding must be strengthened so that the budget drawn up in the beginning of a year is strictly controlled via definite review and approval procedures. Plans to use profits retained by the enterprise for large expenditures or new project must undergo feasibility analysis and be approved by the workers' councils after discussion. Profits handed in to township or village governments could be used as circulation funds for the development of township and town enterprise with compensation to encourage the enterprises to improve their accounting, increase the turnover rate of a capital and obtain more economic returns. New township and town enterprises could be initiated in, for example, industry, transportation, commerce, and services. "Industry could be made to supplement agriculture." Wherever these profits are to be utilized, there must be strict procedures of review and control, and some projects must be approved by the township or village people's congresses before being implemented.

Various social expenditures for projects such as small market town construction must be determined based on practical considerations. Projects should only be undertaken if enough funding exists. We cannot go all out everywhere to build, wasting the peoples' money and labor without considering the conditions.

IV. Improving Ideological and Political Work and Balancing the Relationship Between Retained Profit and the Worker

The relationship between the interests of the individual, collective, and state, between short-term and long-term interests and between partial and overall interests must be explained to the vast ranks of the cadres and workers. All the workers must truly understand that the scope of investment in township and town enterprise must correspond with local levels of accumulation; that blind large-scale construction must be avoided; that public welfare construction can only be undertaken according to available resources and that the highest standards cannot always be applied; that the worker's income should be gradually increased based on increased production of their enterprise; that consumption funds should increase together with profits and taxes handed in; that the growth rate of worker income cannot exceed that of profits, and that the enterprise should maintain funds necessary for public accumulation. Only in this way can the long-term interests of the vast ranks of the workers be upheld. We must resolutely correct tendencies toward departmentalism and individualism in which the interests of the whole are neglected. Sharing out or handing in an excessive amount of profits is like "draining a pond to catch the fish," and is a poor way to develop township and town enterprise.

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CSO: 4006/1317

SMALL-SCALE ENTERPRISES

FUNDRAISING FOR TOWN, TOWNSHIP ENTERPRISES DISCUSSED

Beijing NONGYE KUAIJI YANJIU [AGRICULTURAL ACCOUNTING RESEARCH] in Chinese No 3, 86 pp 48-50

[Article by Liu Zhihong [0491 1807 1347], of the Rural Work Department of the Jinzhong Prefectural CPC Committee, Shanxi Province: "On Fundraising for Town and Township Enterprises"]

[Text] In developing town and township enterprises, a pressing problem is the lack of capital. For many years, development of town and township enterprises has relied on state loans, funds from departments at higher levels, or accumulation by the enterprises themselves. However, in the past few years, particularly since the last year, owing to the rapid growth of the rural commodity economy, funds from these channels have fallen far short of demands. To solve the problem, there is a growing trend in the rural areas of pooling resources to run town and township enterprises. This is an important sign of the growing vigor of various productive factors, and its appearance is not fortuitous.

First, the lack of capital has become the major problem hindering the development of the productive forces in town and township enterprises. According to statistics, the 1985 plans of Jinzhong Prefecture, Shanxi Province, called for the establishment of 7,429 new town and township enterprises of various kinds and the technical transformation of 718 enterprises to increase their production capacities, requiring a total of 246.76 million yuan. However, banks and credit cooperatives could provide only 68.32 million yuan in loans, meeting only 27.8 percent of the amount needed, and capital was not available for most of the planned new enterprises.

Second, there is a lot of money in the rural areas. Since the 3d Plenum of the 11th CPC Central Committee, with the rapid growth of agricultural production, peasant income has increased year after year, and an increasing amount of money is being set aside. First of all, commune members' savings deposits have increased. As of the end of 1984 in Taigu County, commune members' savings deposits totaled 20 million yuan, an increase of 17.03 million yuan over the 2.97 million yuan in 1978. Per capita savings increased from 15.8 yuan in 1978 to 100 yuan in 1984. Next, the peasants are keeping more cash. According to statistics, in Jinzhong Prefecture, idle cash kept by peasants now totals 40.9 million yuan, averaging 18.5 yuan per person. Furthermore, many households have become well-to-do through hard work. In Jinzhong Prefecture, there were 16 households with a per capita income of

1,000 yuan and 1,203 households with a net income of more than 10,000 yuan in 1984, the latter being nearly double the 651 such households in 1983. In addition, funds accumulated by collectives and from other places are also sources of capital for town and township enterprises.

Third, the masses' enthusiastic participation in fundraising efforts to set up town and township enterprises shows that flexible and varied forms of fundraising are in keeping with the objective requirements of rural economic development in China at present. In 1984, 4.244 peasant households, or 7 percent of all peasant households, in Yuci City took part in fundraising, and they raised 10.47 million yuan. The Shuixiu Township cardboard box plant launched a fundraising campaign under a labor-investment program. In only 10 days, 130 entered their names, and only 80 were accepted based on needs, each bringing along an investment of 1,000 yuan, raising a total of 80,000 yuan.

At present, the mass enthusiasm to raise funds for town and township enterprises is spreading in rural Jinzhong Prefecture. Funds are raised mainly in the following five ways:

1. Loans: Such mutual-help credit activities are widespread among the people. Loans are divided into three categories according to interest rates:

First, interest-free loans: Generally this occurs when an individual household, planning to start a small business, borrows money from relatives, friends, and neighbors. As they trust each other, and only small amounts of money are involved, the loans are interest-free.

Second, low-interest loans: Investors earn interest on their money according to current bank loan interest rates. A common practice is the formation of a fundraising company with limited liabilities by related enterprises, units and individuals. The company issues shares and engages in the credit and loan business. The enterprises, units, and individuals put their money in the company and become shareholders. The principal and interest of shares are guaranteed, but there will be no distribution of bonuses or dividends. Those who apply for loans from the company must sign contracts. Shares have a longer time limit than loan contracts. Share interest rates should be higher than savings deposits. Units and individuals receiving loans pay interest rates should be higher than savings deposits. Units and individuals receiving loans pay interest at current bank loan interest rates.

Third, loans at market interest rates: A trust and investment company is formed to accept deposits and extend loans at negotiated interest rates.

2. Labor-investors: An enterprise may combine labor recruitment with fundraising. Each worker hired is requested to invest a fixed amount of money in the enterprise. When a worker quits working for the enterprise, his money is paid back to him in full. Shares earn money in one of three ways:

First, dividends: A certain proportion of the enterprise's after-tax profit is distributed as dividends among shareholders and workers. Generally a bigger portion is distributed for work than on shares.

Second, interest and dividends: The enterprise pays both interest and dividends. The interest rate is equal to or slightly higher than bank rates. The investors are guaranteed interest payments, and the amount of dividends is tied to the enterprise's economic performance.

Third, interest: Investors recieve only interest and no dividends. The enterprise pays interest to the investors on a monthly or quarterly basis as stipulated in the contracts.

3. Joint ventures: Under this form of fundraising, investors take part in enterprise management. They share the capital investment, management, profits and losses. Joint ventures can be based on three kinds of economic ties. First, joint ventures between one household and another, combining labor with skills and pooling financial resources. Second, joint ventures between one village and another, pooling financial, labor, and natural resources. Breaking through the regional economic barriers formed by the administrative divisions, is conducive to the horizontal flows of funds, technology, and labor between regions. Third, joint ventures between town and township enterprises and state-owned industrial and commercial enterprises. Breaking through the barriers between different ownership systems and between urban and rural economies, is conducive to the establishment of vertical urban-rural economic networks with rational, combined agricultural-industrial-commercial operations to further expand economic contacts between urban and rural areas and promote integrated agricultural, industrial and commercial development in rural China.

4. Dividend-earning shares: This method is often used by enterprises which require relatively large capital investments. As the main objective of this type of investment is to earn dividends, investors generally do not participate in management. To guarantee investors' economic benefits and encourage the masses to buy shares, most enterprises not only guarantee interest payments, but promise dividend distributions. The interest rates may be lower than bank deposit interest rates, and dividends are determined by negotiation.

5. Capital from elsewhere: Funds brought in from other places play an important part in accelerating the development of town and township enterprises. As production grows, so will the attraction to investment capital from elsewhere. Funds may come from other regions and provinces. Overseas Chinese and foreign capital can also be used. The CPC Central Committee's Document No 1 of 1984 pointed out: "It is necessary to permit the free flow and rational merging of capital, technology and other essential factors of production among different areas and trades." Thus, the introduction of external capital is fully approved as a policy. In actual practice, the following two forms are more commonly used by town and township enterprise at present:

First, compensation trade: Machinery, equipment, production technology and so forth are bought on credit. Loans are repaid with products or other commodities after the start of production.

Second, joint ventures: Generally the town and township enterprises provide the natural resources, plant sites, labor, and so forth, and funds, technology, equipment, and so forth are provided by investors from other places.

Moreover, various credit organizations, such as fundraising companies, and credit forms, such as bond issues, selling on credit, commercial notes, commission shops, leases, etc., have appeared among the people in the rural areas. All of these can become effective ways to tap society's potential resources and raise funds for developing town and township enterprises.

Practice in Jinzhong Prefecture in the past few years has shown that raising funds to develop town and township enterprises can produce the following good social and economic results:

A. It is conducive to the organic combination of capital, technology and labor, which contributes to effective use of capital, on the one hand, and creates work for surplus rural labor, on the other, turning latent productive forces into active productive forces. Flexible and convenient ways to raise funds have helped solve the problem of capital shortage by tapping financial resources that would otherwise have remained idle, and capital is the glue which binds the essential factors of production together and effectively promotes the development of town and township enterprises. In 1984, Yuci City raised 10.47 million yuan to set up 534 town and township enterprises of various types, which provided more than 2,600 jobs for surplus rural labor and increased the city's income by more than 10 million yuan in the same year.

B. It contributes to readjusting the rural production structure and developing rural commodity production. Since 1983, Xiamen Town, in Lingshi County, has raised a total of more than 1 million yuan, with which the town has set up 260 enterprises in mining, smelting, mineral wool, sulphur, cement, machine repair, transport, and processing industries, employed 1,974 peasants, and turned the town's single-product, closed, natural economic structure into a commodity economic system with combined agricultural, industrial, and commercial operations. The town's industrial income accounted for 30 percent of its total income in 1978. The proportion was increased to 70 percent in 1984. The town's per capita income increased by nearly 500 percent in the same period.

C. It is conducive to developing and improving the rural cooperative economy so that it will keep pace with the development of the productive forces and grow at various levels and in all directions. Capital is the cement in economic associations. Fundraising has increased the flow of capital between different trades and areas. As a result, various types of intertrade and transregional joint ventures and economic associations have emerged. In 1984, Yuci City raised 5.13 million yuan, 36.6 percent of the total amount of funds raised in the city's rural outskirts, to establish 393 economic associations of various types.

D. It gives added support to the development of the poor regions. The flow of capital has increased the spread of competent people and technology and accelerated rural economic development in underdeveloped regions.

E. It helps accelerate the economic development of small rural towns.

F. It helps promote urban-rural economic associations so that cities can lead rural villages in helping peasants get rich faster.

By implementing the guidelines of the CPC Central Committee's Documents No 1 of 1984 and 1985, fairly rapid progress has been made by the masses in raising funds to set up town and township enterprises, and some valuable experiences have also been gained. However, there are also some problems which need to be studied and dealt with seriously. First, it is necessary to further emancipate our minds and remove mental blocks. Second, it is necessary to improve the enterprises' economic performance and enhance their reputation. Third, it is necessary to follow the principle of voluntary participation and mutual benefit and continue to improve the various forms of fundraising.

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SMALL-SCALE ENTERPRISES

BRIEFS

HUBEI SMALL SHOPS--There are about 250,000 small shops in some 810 towns of the province. In other words, there are 14 shops for every 1,000 people. The total social retail sales volume achieved by these shops last year reached some 10.6 billion yuan, accounting for the 56.5 percent of the province's total social retail sales volume. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 3 Oct 86 HK] /12624

CSO: 4006/65

DOMESTIC TRADE

REPORT ON GUIZHOU'S LATERAL ECONOMIC TIES

Kunming YUNNAN RIBAO in Chinese 21 May 86 p 2

[By correspondent Zhang Guangzong [1728 0342 1350] of the GUIZHOU RIBAO and correspondent Ye Xiaosheng [0673 2400 3932] of the Guizhou People's Broadcasting Station: "Advancing Hand in Hand in Joint Endeavor--New Breakthroughs in Lateral Economic Relations Between Guizhou and Sichuan, Yunnan, Guilin, and Chongqing"]

[Text] In observance of the principle: "Reconstruction through self-reliance, uniting with many parties, backing by the state, and joint effort for vigorous development," Guizhou started out from the realities of the situation and energetically instituted lateral economic cooperation with the four regions of Sichuan, Yunnan, Guilin, and Chongqing. Since last year's Second Five-member Economic Coordinating Conference, Guizhou Province has signed agreements with Sichuan, Yunnan, Guangxi, and Chongqing for over 230 economic and technical projects, of which 118 projects have already been implemented.

In the course of the year, the lateral economic ties between Guizhou, on the one hand, and Sichuan, Yunnan, Guilin, and Chongqing, on the other hand, displayed the following five special characteristics:

Widespread Initiation of Lateral Economic Corporation on an Enterprise-to-Enterprise Basis Accomplishes a Series of "Short-Lasting, Fair-priced, Rapidly Effective" Projects.

A mechanized brickworks of the Yushan district in Wengan County, Guizhou, imported 400,000 yuan additional capital and technical improvements from a mechanized brickworks of Anyue County, Sichuan, for a joint operation at a capacity of 10 million mechanically produced red bricks per year, a production that had actually started last year. A canning factory in Dejiang County had the canning technology of the Dehe canning factory of Yunnan introduced to improve its own canning production. The Zunyi City beverage plant established, together with the Chongqing City beverage plant, the Zunyi-Chongqing Tianfu Kola Factory, which is presently producing seven kinds of beverages.

Negotiation or Execution of Several Major, Urgently Needed, Bilateral or Multilateral Construction Projects.

Certain large construction projects, beyond the capability of Guangzhou Province alone, have, through cooperation between many parties, based on the principle of reconstruction through self-reliance, and with the support of the state, either already been completed or included as key construction projects in the state's Seventh 5-Year Plan.

Electrification and technical transformation of the Hunan-Guizhou, Sichuan-Guizhou, and Guiyang-Kunming railway lines is being continued uninterruptedly. The highway between Panxian and Baise in Guangxi is being reconstructed. A new highway is being built from Dafang County to Naxi in Sichuan and also from Malin in Chishui County to Hejiang County in Sichuan. All these projects have been included among the key engineering projects of the state's Seventh 5-Year Plan. The provinces of Guizhou and Guangxi are jointly investing in the construction of a coking plant in Guiyang with an annual capacity of 600,000 tons of coke. This project requires an investment of 160 million yuan, and both sides will share in the output and profits in proportion to their investments. The project is part of Guizhou's Seventh 5-Year Plan. Guizhou signed an agreement with Chongqing for joint investment in a soda ash plant of an annual capacity of 40,000 tons. Work on this project was started in August last year. In January of this year, the Nanning-Guiyang railway line was opened to direct passenger traffic. As to the technical work of electrifying the Guiyang-Kunming railway line, the section from Guiyang to the west of Shuicheng was officially opened to traffic in December of last year.

The New Tendency of Lateral Economic Cooperation Between Neighboring Counties.

Great activity is being shown in the lateral economic cooperation between the adjacent counties of the five members of the economic conference. In June of last year, the first economic and technical conference of eight adjacent prefectures and zhou of the four provinces of Hubei, Hunan, Sichuan, and Guizhou, was held under the auspices of Tongren Prefecture in Guizhou Province, to discuss economic, technical, and materials supply cooperation and general identity of opinions was achieved at the conference. In October of last year, Wuchuan County held a meeting of 12 adjacent counties of Sichuan and Guizhou, broke our of the past pattern of isolated materials exchanges and developed the relationship into one of neighborly cooperation, the several parties working as a united entity, in the fields of economics, technologies, materials supplies, and information. At the meeting, over 50 projects of economic cooperation were arrived at, and the commodity transactions involved 10 million yuan. In the latter part of October, the autonomous zhou of southwestern Guizhou joined together with the zhou of Wenshan, Qujing, and Baise in a Yunnan-Guizhou-Guilin Border Region Economic Cooperation Conference and in March of this year instituted projects of mutual investigations, negotiations, and cooperation.

Strengthening Economic and Technical Cooperation With the Coastal Regions.

According to suggestions formulated at the Second Five-member Economic Coordinating Conference, Guizhou Province last year sent several delegations to Shanghai, Tianjin, Jiangsu, Zhejiang, and Guangdong to initiate technical cooperation and exchanges, thereby opening up a large gate toward the coastal regions. They achieved over 400 cooperative projects of a great variety of forms, such as investments for the building of new factories, joint capital ventures, joint production projects, processing of materials, compensation trade, transfer of technologies, exports to overseas, S & T consultations, exchanges of personnel and information, and instituting "windows" to each other's territories.

Instituting a Network Concentrating on Interchanges of Materials and Industrial and Commercial Linkages.

Since last year, Guizhou further developed commodities and materials cooperation with four parties, in a variety of patterns, at different levels, and through a variety of channels. Guizhou also developed and perfected in reliance on the key cities, various types of trade centers and wholesale markets, and instituted a variety of trade outlets for its commodities, to promote materials and commodity exchanges. Guizhou's interregional cooperation in materials exchanges with the said four parties included barter, adjusting mutual surpluses and shortages, and making up shortages left by the state plan. Last year the total value of commodities involved in these cooperative activities reached 130 million yuan, comprising assistance to Guangxi, Sichuan, and Yunnan with the supply of 570,000 tons of raw coal and 210,000 tons of coke, effecting an adjustment by supplying 56,600 tons of pig iron to Guangxi and Sichuan and obtaining by barter in return 48,000 tons of steel billets, assisting Guangxi by supplying 110,000 tons of phosphate, also imported from Sizhuan 25.3 million tons of steel materials and 26.79 million tons of cement. Last year a conference on cooperation in the supply of building materials was held at Guiyang, resulting in transactions valued at over 63 million yuan.

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REPORT ON YUNNAN'S LATERAL ECONOMIC TIES

Kunming YUNNAN RIBAO in Chinese 21 May 86 p 2

[By own reporter: "Forging Ahead in Lateral Ties and Cooperation Between Yunnan and Sichuan, Guizhou, Guilin and Chongqing--Initiation of a New Pattern in Regional Lateral Economic Relations"]

[Text] Since the Second Five-Member Economic Coordinating Conference, Yunnan's lateral ties with various parts of the Southwest have intensified, and extensive interchanges and cooperation have taken place in the fields of economics, technologies, materials supplies, S & T, commerce, and the training of personnel. Somewhat over 700 projects involving linkages and cooperation have been achieved, accounting for over one-third of all cooperative projects throughout the province during last year.

Yunnan has by now initially formed a new pattern of regional lateral economic linkages with various areas of the southwest, principally on three levels. One is economic coordinating conferences, the second is conferences of neighboring prefectures, and the third is the economic and technical cooperation and exchanges between certain prefectures, zhou, municipalities, and counties, also relevant departments, trades, industries, and enterprises of this province with the relevant prefectures, trades, industries, and enterprises of various other places. There has been certain progress in the joint undertaking of key projects. Among the series of joint projects which have been the subjects of agreements signed by Yunnan with various parties at the Second Economic Coordinating Conference, there are three that are now listed among the work planned for the early period of the Seventh 5-Year Plan. Work is being accelerated on the interconnection of interrupted highways between Yunnan and Sichuan, Guizhou, Guilin, and Chongqing. The interrupted section of 14.2 km between Yulin in Guangxi and Guangnan in Yunnan was completed in January of this year, after 3 months of hard work. Following the Second Economic Coordinating Conference, there has been a constant emergence in Yunnan of transregional, intertrade, and interindustry joint entities and other forms of linkages in the southwest, principally for the widest possible dissemination of high-quality products. After the joint production of such famous and excellent products as Chongqing's Tianfu kola and chocolate champagne had been started in Kunming, these products are now being distributed to several prefectural cities and zhou, such as Jinjiu, Zhaotong, and Chuxiong. Binchuan County in Dali zhou of Yunnan has linked up with

Chongqing for the joint cultivation of mandarin oranges and tangerines, of which Binchuan County's last year harvest had increased to 4 million jin, thereby increasing the income of the people by 4 million yuan. Certain major industries, for which Yunnan has superior resources, have been strengthened in the course of these cooperations and linkages. Following the importation last year by some Yunnan enterprises of advanced techniques and qualified personnel from Sichuan and Chongqing, sugar production, rubber processing, and the tropical fruit industry have all taken on a completely changed aspect. The Yongkang sugar refinery in Yongde County, Lincang Prefecture, had lost 1.6 million yuan in the 4 years of its existence. During September to November last year, the director of the Tayi sugar refinery in Sichuan brought over 50 of his key technical personnel to help the Yongkang sugar refinery improve its production technique and methods of management, as a result of which the said refinery could at one stroke turn a deficit into a profitable operation. Among the six sugar refineries in Lincang Prefecture, four have by now received assistance from Sichuan and established solid and suitable cooperative relations. The supply and marketing coop of the Honghe zhou last year imported from Guangxi 300,000 saplings and now predicts that they will harvest several million jin bananas more this year. Among the more than 700 projects for which Yunnan has signed cooperative agreements with various quarters, more than half are of collective enterprises. Many village and township enterprises in the prefectures, zhou, and municipalities of Zhaotong, Chuxiong, Honghe, and Dali have developed rapidly, with assistance from various provincial and prefectural departments. The Yuxi Leather Shoe Factory No 1, with assistance from the Chengdu Leather Factory, last year added three new large lines of articles with almost 200 different designs and colors, which increased output value by 500,000 yuan and yielded 60,000 yuan profit. The "zaojiu" winery of Kunming imported techniques and wine processing methods from the makers of "maotai" liquor in Guizhou and are now producing a "Yunzao" brand "zaojiu-type" liquor of fragrant bouquet and unique flavor, much acclaimed by its consumers.

With cooperation from various provinces and regions, Yunnan has started on the development of its natural resources together with various neighboring regions. The Panxi Steel Mill [?] invested 700,000 yuan to open up a new iron mine in collaboration with Yuanmou County, also investing another 2.2 million yuan in support of an expansion of the Yuanmou Cement Works. To provide added service to the Panxi iron and steel base, the Yongsheng County of Lijiang Prefecture expanded production capacity for agricultural and sideline products. Last year they supplied the Panxi Steel Mill [?] with 200,000 jin water melons, a production which they intend to increase this year to over 3 million jin. Yongren County last year supplied the Dukou Prefecture with 30,000 jin fresh fish, over 100 tons of fruit, and more than 1,000 tons of radishes. Up to the present, 11 prefectures and zhou of Yunnan have contracted with the Jinniu district of Chengdu for more than 200 cooperative projects, of which 62 percent have already been carried out with excellent results.

Following the Second Economic Coordinating Conference, the traditional economic relations in the southwest, which had formed according to the flow of commodities, have been further strengthened and developed. The establishment of "windows" to each other's territories, of commission agencies, and of a variety of other forms of commercial cooperation, has proven abundantly effective. With assistance from Chongqing, 10 or so prefectures, zhou, and municipalities in Yunnan successively opened Sichuan-style food restaurants. A department store in Gejiu City imported goods from 150 factories and commercial establishments in Sichuan, Chongqing, Guilin, and Guizhou, and last year increased its profits by 60 percent. Last year, new developments also took place in the cooperation with various places in the southwest for the supply of materials. Since last year, the exchange of qualified personnel has been stepped up between Yunnan and various places. Following the establishment of the Kunming branch of the Chongqing Building and Engineering College, 63 Yunnan students were enrolled in the special water supply and water drainage courses. This year, the said college will enroll new students in 4 specialized and 2 regular college courses. The Chengdu College of Telecommunications cooperated with the Yunnan Military District in classes for the training of military and local personnel. Last year, this college enrolled 150 new students from among the military. The Guizhou Agricultural College, the Chongqing Technical Teachers Training College, and other colleges trained qualified personnel on behalf of Yunnan Province. Five senior middle school teachers from Chengdu, all with abundant teaching experience, accepted invitations to teach in Dehong and Lingchuan middle schools for over 1 year, raising the teaching quality in these places conspicuously. The lateral economic ties between Yunnan, on the one hand, and Sichuan, Guizhou, Guilin, and Chongqing, on the other hand, have begun to exercise an increasingly important role in Yunnan's economic and cultural construction.

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FOREIGN TRADE AND INVESTMENT

PAPER REPORTS ON NATION'S INVESTMENTS ABROAD

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese 26 May No 20, 1986 pp 24-25

[Article by our special correspondent "China Is Also Investing Abroad"]

[Text] Editor's Note: Don't think China is just importing; in fact while importing funds and technology, it is also investing abroad. Chinese investment abroad has its own special characteristics, with businesses including exploitation of natural resources, production processing, shipping, financial insurance, architectural engineering, opening Chinese restaurants, etc.

Since 1980, China has been making efforts to broaden the sphere of foreign economic cooperation, actively investing abroad and setting up joint ventures. To date, China has already begun 144 joint and individual ventures in 34 countries and the territories of Hong Kong and Macao. Total investment equals $239 million. The kinds of businesses include: the exploitation of natural resources, production processing, technology, as well as trade integration, shipping, financial insurance, architectural engineering, and Chinese restaurants. These are distributed mainly among the United States, Japan, Holland, Belgium, the FRG, Britain, Canada, Australia, Nigeria, Guinea, Guinea Bissau, Sierra Leone, Senegal, Swanda, Algeria, Brazil, Guyana, Sri Lanka, Pakistan, Thailand, Bangladesh, A-lian-qiu [7093 5114 6790] Morocco, Cameroon, Tanzania, Mauritius, Malta, and the territories of Hong Kong and Macao. In addition, there are currently more than 300 joint venture projects being discussed. These projects are mainly in Asia, Africa, and Latin America.

China's Basic Principles of Investment Abroad

One aspect of China's policy of opening to the outside world is the development of various kinds of joint ventures abroad. In its joint ventures abroad, China strictly observes the four basic principles of "equality and mutual benefit, emphasis on results, diversification, and joint development," with adherence to equality and mutual benefit and joint development given priority. In its investment abroad, China respects all the sovereign rights of the foreign country, does not interfere in the country's domestic affairs, does not attach any political conditions, does not require any special privileges, observes all the country's laws and regulations, local customs, and the letter of the contract for the joint venture. Management style suits local conditions, and investment is flexible and diversified, such as the use of either cash, equipment, technology, materials and/or property as investment. This reflects China's vast possibilities for joint ventures with the rest of the world, especially with Third World countries.

The Main Forms of China's Joint Ventures Abroad

China is mainly opting for three forms of joint venture abroad: a) Private limited-liability companies. These are rather simple--usually not raising capital through the issue of stocks but rather the various parties of the joint venture in observance of local laws agree upon capital investment ratios in the form of cash or payment in kind and/or technology reflected in shares in the joint venture company. Investment, management, risk, and profit and loss are all shared. b) The limited liability company. The company raises some or all capital through public issue of stocks and consists of a certain number of shareholders. Currently, some Chinese joint ventures abroad have taken the form of limited-liability companies but investment is not large and the stocks do not go on the market. Moreover, the Chinese side has many shares and great control within the company. c) Contract joint ventures. In this kind of company, the Chinese investors usually provide capital, or equipment, industrial power, technological aid, and special technical know-how to their partner in the country abroad, and receive service fees or payment in kind as remuneration. Currently, China, in joint ventures abroad exploiting natural resources, basically chooses this method of cooperation.

The Key Points of Chinese Investment Abroad

In keeping with the reality of its situation, China focuses on the following areas in joint venture investments abroad: 1. Cooperation in the development of natural resources, such as forestry, the marine industry, mining, etc. This not only aids the development of local economy, but can result in the return of timber, paper pulp, marine products, or mineral products needed by China. Some resources are not required by China but if there is a requirement in the local country and a market abroad, China will undertake joint development. 2. Development of manufacturing and service enterprises for various kinds of machinery products. The Chinese side provides equipment, technology and product kits, and components for final assembly and sale abroad. In this manner, not only are local needs satisfied, but China's export of machinery, equipment semifinished products and component parts is also promoted. 3. Joint-venture contract companies as a means of undertaking engineering projects and expanding labor cooperation. China now has 54 companies which specialize in the contracting of international engineering projects. These companies have substantial power and rich experience in construction domestically and abroad. They are able to organize the design and construction as well as contract for various kinds of industrial and civil architectural engineering, specialized engineering, municipal engineering, mining exploration and exploitation, well drilling, road-and bridgebuilding, railroad, airport, harbor, hydropower station, and thermalpower station construction projects among others. They hope to form contract engineering companies or joint enterprises for projects with all countries with friendly people possessing broad experience and management ability. 4. Utilize local natural resources and conditions to run locally required industrial and agricultural manufacturing joint enterprises whose products will first satisfy the needs of the local country. 5. Joint venture Chinese restaurants. Chinese culinary art has a long history and is famous throughout the world. In recent years, many countries have proposed joint-venture Chinese restaurants with China. There are many forms of joint-venture restaurants. Most commonly, the Chinese side supplies Chinese cooking utensils, traditional Chinese tableware, Chinese furnishings and decor, and seasonings and special ingredients unavailable on the local market as its investment, as well as providing first-rate cooks in the way of technical service. 6. Industrial trade and technology trade joint ventures. In such a way, China can import modern technology, equipment, and component parts for domestic production, scientific research, and the technical overhaul of old factories. The promotion of product advancement and the expansion of exports also aid technical exchange and mutual understanding.

China's joint ventures abroad are primarily small-and medium-scale ventures in an effort to obtain quick results with a minimum of investment.

Results Already Seen in Overseas Investment

China's priority in foreign investment is to exploit natural resources which are scarce within China. In recent years, China has begun 13 projects abroad in the fields of forestry, fishery, and mineral products. The plywood factory established in Brazil by the Chinese Ministry of Forestry has achieved an annual yield of 10,000 cubic meters. From the official start of production in October 1984, the production situation has been very good. Forestry resources development work with the United States, Brazil, and other countries has been proceeding smoothly. In just the latter half of 1985, more than 500,000 cubic meters of lumber was shipped to China. Currently, China is actively discussing forestry cooperation with Papua New Guinea and other countries.

In order to protect China's offshore natural resources and develop deep sea fishing, China has signed fishing cooperation contracts with seven other countries including Senegal, Guinea Bissau, the United States, and Sri Lanka. The first deep sea fishing fleet organized by China has begun operations in the waters of the above-mentioned countries. In October 1985, for the first time Beijing residents ate fresh fish which had been shipped from waters off the coast of West Africa. Estimates indicate that after 1 or 2 years, deep sea fishery products will markedly increase. In addition to what is sold abroad, more than 100 million jin of all kinds of fish can be supplied annually to the domestic market. In February of this year, three large processing trawlers from three sea fishery companies of Shanghai, Dalian, and Yantai set sail for U.S. waters to begin fishing operations. This is the first time Chinese fishing boats have operated in U.S. waters. The deep sea fishing is in accordance with the Sino-U.S. fishing agreement signed in July 1985 when Li Xiannian visited the United States. By mid-March two boats had started operations. By the end of March, the two boats had caught more than one million kilos of fish. The other boat has now also begun fishing operations.

Joint mining ventures for iron, copper, precious stones and gold are actively in progress with Australia, Canada, and other countries, with some to show results in 1986. China is now holding talks with countries on potash and phosphate mining. These resources which are badly needed for modernization are in short supply in China.

In addition to the initial results of the above-mentioned investment projects for natural resource development China has also established 19 international engineering joint-venture companies with Nigeria, Cameroon, Rwanda, Thailand, the Arab Yemen Republic as well as with the terrorists of Hong Kong and Macao for cooperative contracting of engineering projects abroad. In recent years, engineering projects worth several hundred million dollars have been undertaken with quite good results. Also, sole invested or jointly managed Chinese restaurants are distributed in more than 10 countries. More than 100 chefs coming from Sichuan, Guangzhou, Beijing, Shanghai, Liaoning, and other provinces and cities have used China's unique culinary skills to earn nearly #3 million in foreign currency.

Statistics show that among these joint venture industries abroad, more than 90 percent have had good economic results. They have acted as a link for the import of modern technology from abroad and the expansion of commodity exports. Economists with foresight believe that this kind of equitable and mutually profitable economic and technical cooperation will help the economies of all countries develop and flourish.

13284/9869
CSO: 4006/1209

FOREIGN TRADE AND INVESTMENT

XINJIANG, USSR CONDUCT MORE BORDER TRADE

OW100850 Beijing XINHUA in English 0731 GMT 10 Oct 86

[Text] Beijing, 10 Oct (XINHUA)--Trade between inhabitants of China's far western frontier and the Soviet Union has begun a new phase, the economic daily reported Thursday. The border between the Xinjiang Uygur Autonomous Region and the Soviet Union opened earlier this year after it had been closed for decades.

The region has had a long history of cross-boundary contact and trade between residents in the Soviet Union and China. Many of the residents in both countries share the same ethnic background "the dwellers on both sides of the border have many similarities in their way of living, culture and customs and trade and contact links were established as early as 2,000 years ago through the 'silk road'", the paper said.

Over 200,000 Chinese or their descendants living in the Soviet side had long hoped to resume the economic and cultural contacts which were stopped in the early 1960s owing to the political conflict between the two governments.

At the beginning of this year, the authorities of the two countries officially agreed to renew border trade in the region and a regional company for foreign trade signed a contract with a Soviet company in Beijing before exchanging orders for a number of commodities, the paper said.

In August, the Chinese region sent a delegation on border trade to the Soviet Union, an exhibition was held showing off the region's light industry products, textiles, livestock, foods, arts and crafts and electronic equipment, all of which greatly intrigued the customers and viewers, the paper said.

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CSO: 4020/23

CSSR'S ROHLICEK 'DEEPLY IMPRESSED' BY PRC VISIT

OW170750 Beijing XINHUA in English 0736 GMT 17 Sep 86

[Text] Prague, 16 Sep (XINHUA)--Both Czechoslovakia and China are optimistic about the future of relations between the two countries, said Rudolf Rohlicek, Czechoslovakia's first deputy premier, who has just ended an official visit to China.

Czechoslovakia and China are both building socialism, are both solving a series of similar problems, and share the ultimate goal of improving their people's livelihood, Rohlicek said in an interview with XINHUA.

In assessing bilateral trade, the vice premier said both countries emphasize the overfulfilling of the items stipulated in their long-term trade agreement signed last year when China's Vice Premier Li Peng visited Czehoslovakia.

During the visits, both sides discussed possible high-level cooperation in fields such as production coordination and mutual transfer of licenses, he added. Tohlicek also said that Czechoslovakia is interested in participating in China's transformation of industrial enterprises engaging in metallurgic, textile, machinery and chemical production.

However, he said, such cooperation does not mean unilateral Czech exports to China. Besides importing traditional Chinese food and raw materials from China, Czechoslovakia also takes a great interest in expanding its imports of Chinese manufactured goods such as household electric appliances and machines.

Talking about his tours of Chinese cities, the Czechoslovak vice premier said that he had been deeply impressed by the progress the Chinese city of Shenzhen (China's first special economic zone open to foreign investment) has made in its modernization drive. The city's "super modernized construction" in the past six or seven years has brought about enormous development and prosperity he said.

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CSO: 4020/23

FOREIGN TRADE AND INVESTMENT

RARE EARTH EXPORTS EARN $38 MILLION FOREIGN EXCHANGE

HK060334 Beijing CHINA DAILY in English 6 Oct 86 p 1

[Article by staff reporter Nie Lisheng]

[T-xt] With its rich resources of rare earth ores, China aims to become a major exporter of rare-earth products by 1990, when it hopes to handle 30 percent of international rare-earth trade compared with 20 percent at present.

Last year, the country processed 8,500 tons of rare earth into more than 400 varieties of industrial materials and products, second only to the United States, and sold 4,500 tons abroad to earn foreign exchange income of $38 million, said Lin Zongtang, vice minister of the State Economic Commission.

Rare earth is a group of 17 metallic elements used mainly as agents for processing steel and iron and in petrochemical products. Rare-earth products have been widely used in China to make steel and iron alloys with better strength qualities or ability to conduct heat or electricity. Last year, China consumed 2,200 tons of rare earth in making 1 million tons of cast iron.

China has also begun using rare earth as fertilizer. This year, about 450 tons of rare earth are being used over 530,000 hectares of farmland around the country, where yields have risen after seeds were soaked or crops sprayed with rare-earth chemicals.

Lin told a national conference on rare-earth exploration and application yesterday in Beijing that total export volume had increased at an annual rate of 50 percent since 1979. Since then, the State has earned $109 million on rare-earth exports.

China now exports not only primary rare-earth products, but also a dozen highly-processed products that contain only one of the 17 rare-earth elements. China has replaced France and the United States to become the chief supplier of such products to Japan, which bought 38 percent of its rare-earth imports from China in 1985.

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CSO: 4020/23

FOREIGN TRADE AND INVESTMENT

GUANGDONG TO ENSURE FOREIGN INVESTORS' PROFITS

HK151357 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1431 GMT 14 Oct 86

[Report: "Yu Fei, Vice Governor of Guangdong Province, Says that Guangdong Must Enable Foreign Investors to Make Profits"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 14 Oct (ZHONGGUO XINWEN SHE)--Vice Governor of Guangdong Province Yu Fei said that Guangdong will create favorable conditions in all fields so as to help enterprises involved in foreign investment to improve their business results and to enable foreign investors to make profits.

Yu Fei said this yesterday when telling reporters about Guangdong's measures to implement the "regulations on encouraging foreign investment" promulgated by the State Council.

Yu Fei said that the main measure is to support the enterprises involved in foreign investment and help them expand production and product sales. These enterprises will be allowed to export their products on their own or through foreign trade companies. If the quality and specifications of these products reach the same level of the imported goods of the same kind, Guangdong Province will purchase these products and reduce or stop the import of similar products from abroad.

He also said that the enterprises involved in foreign investment can fix prices for their products on their own (except for the products sold in domestic markets in light of the unified prices fixed by the state). They can be exempted from paying taxes on the bonuses issued to their workers. These measures are not included in the state council's regulations. Yu Fei said Guangdong will adopt a more favorable policy in the aspect of the land use fees as compared with neighboring countries and regions so as to attract foreign investors.

As for the foreign exchange issue at which foreign investors are concerned, Yu Fei said Guangdong is a province which has comparatively more foreign exchange reserves in China and can thus allocate part of its foreign exchange reserve to meet the needs of the enterprises. At the same time, the Guangdong Provincial International Investment and Trust Corporation will issue bonds on behalf of the enterprises to raise funds which are needed in their business inside China.

The provincial vice governor also said that Guangdong plans to establish a number of material markets to ensure the supply of various materials needed by the enterprises involved in foreign investment. Such enterprises themselves can also run their own raw material bases in Guangdong.

Now, electricity in Guangdong is in short supply, and this has brought difficulties to the production of some enterprises run by foreign investors. Yu Fei promised that next year, Guangdong's electricity generation capacity will be doubled, and the situation in electricity supply will be improved. The Guangdong Provincial Government has ordered all localities and departments to take an equal approach to enterprises run by foreign investors and state-run enterprises with regard to electricity supply.

Vice Governor Yu Fei said that the Guangdong Provincial Government has also laid down such regulations to the departments concerned and to local governments that replies must be given within 2 months after projects and enterprises involving foreign investment are submitted to them for approval. Foreign economic relations and trade commissions at all levels are also required to deal with the complaints and inquiries filed by foreign investors without delay.

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CSO: 4006/67

FOREIGN TRADE AND INVESTMENT

GUANGZHOU TO OPEN FOREIGN EXCHANGE TRADING CENTER

HK140545 Hong Kong SOUTH CHINA MORNING POST in English 14 Oct 86 BUSINESS POST p 1

[By Paul Sham]

[Text] Guangzhou is to set up a foreign exchange trading centre in an effort to help joint ventures and wholly foreign-owned enterprises balance their hard currency accounts.

The centre could be in operation later this month.

Guangzhou's Mayor, Mr Zhu Senlin, said joint ventures and wholly foreign-owned enterprises would be able to trade their foreign exchange or renminbi at the centre which would be supervised by the Guangzhou branch of the People's Bank of China.

In June, Guangzhou set up a similar foreign exchange trading centre to meet the needs of domestic enterprises. So far transaction volume has reached more than U.S. $10 million.

Mr Zhu said certain details, such as the permitted range of exchange rates, were still being worked out by the authorities but he said the centre was likely to open before the end of this month.

The mayor said Guangzhou was also working on a series of supplementary measures designed to attract more foreign investment to the city. These would be in line with the recent incentives the Chinese Government had offered to foreign investors and would be completed in the near future.

The measures would include cost reductions, the implementation of compensation trade rules and an import substitution scheme.

Compensation trade allows joint ventures or wholly foreign-owned enterprises to export products other than their own.

The import substitution scheme permits these same enterprises to sell their products in the domestic market but with prices quoted in foreign exchange.

Mr Zhu said to ensure the effectiveness of the measures the authorities were in the process of deciding on which products could be exported by these enterprises or sold by them on the domestic market.

He said foreign investors in Guangzhou would also benefit from the expanded foreign exchange subsidy scheme offered by central government.

The government has already utilised several hundreds of thousands of U.S. dollars to help a joint venture car factory in the city balance its foreign exchange account.

Mr Zhu stressed there was no set amount of hard currency reserved for this purpose. Investors would be able to obtain such assistance according to proven need, he added.

To further safeguard the interests of foreign investors, the mayor said Guangzhou would oppose the abolition of foreign exchange certificates [FEC] until a suitable replacement has been found.

"The policy of cancelling the FEC is correct, but an appropriate method must be mapped out first to safeguard the foreign exchange profit of foreign investors," he said.

Mr Zhu said a trade delegation would be sent to Hong Kong in November to introduce the supplementary investment incentives.

"The trip will aim to promote Guangzhou as a good place for foreign investment," he said.

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CSO: 4020/27

FOREIGN TRADE AND INVESTMENT

LIAONING PROVINCE DEVELOPS EXPORT-ORIENTED ECONOMY

OW110244 Beijing XINHUA in English 0202 GMT 11 Oct 86

[Text] Shanyang, 11 October (XINHUA)--Liaoning Province in northeast China is turning its coastal areas into foreign trade, international banking, science and information centers, according to vice-governor Zhu Jiazhen.

The areas cover 20 counties under the jurisdiction of Dandong, Dalian, Yingkou, Panjin and Jinzhou cities.

They can provide more than 46 percent of the province's total volume of products for export, the vice-governor said.

The scheme will facilitate further implementation of the policy of opening to the outside world, the vice-governor said.

These areas with abundant natural resources are Liaoning's industrial bases for crude oil, chemicals, machinery, building materials, light industry, textiles and electronics and its major exports outlets.

Among 14 agricultural and side-line products for export, each can realize hard currency of over 5 million U.S. dollars, and more than half were provided by the coastal areas in the past.

The province's oilfield at the Liaohe River basin has a verified reserve of 1.2 billion tons, 85.9 billion cubic meters of natural gas, 87 percent of China's total magnesite deposit, 60 percent of its boron, 53.5 percent of its diamond and 47.2 percent of its talcum reserves.

During the Seventh 5-Year Plan (1986-1990), vice-governor Zhu Jiazhen said the province will attract foreign investment and introduce foreign technology to transform 700 enterprises in the areas.

And 100 specialized factories producing exports and 100 export production bases will be established, he said.

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CSO: 4020/27

SHENYANG PIONEERS EXPERIMENT IN TECHNOLOGY TRADE

OW160428 Beijing XINHUA in English 0155 GMT 16 Oct 86

[Text] Shenyang, 16 October (XINHUA)--Shenyang, China's leading heavy industrial center, now pioneers China's experiment in technology trade.

This capital city of Liaoning Province became the first Chinese city undertaking the trade in 1980, and is now the sole city designated to find ways of establishing a sound, comprehensive technology trade system.

The transactions, which involved 23,000 items, came to 500 million yuan between 1981 and 1985, and 79 million yuan for the first 8 months of this year, according to local officials.

To promote its spread, China now encourages sales and purchase of technology which used to be controlled almost exclusively by the government. "Technology is now regarded as a commodity," one official explained.

"The technology market will become an indispensable part of the socialist commodity market being encouraged as part of the effort to modernize China," he added.

In addition to technology items, a variety of services including provision of technology information, development and transfer are also available on the Shenyang market.

The new practice has brought additional industrial output value estimated at 2.3 billion yuan, and motivated the city's experts to develop 820 items of new technology, the official said.

"It used to take 2 years to develop and spread an item," he said. "And now 1 year would be enough."

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CSO: 4020/27

FOREIGN TRADE AND INVESTMENT

XINJIANG TECHNOLOGY IMPORTS FOR 7TH FYP DETAILED

OW021148 Beijing XINHUA in English 1037 GMT 2 Oct 86

[Text] Beijing, 2 Oct (XINHUA)--By 1990, the Xinjiang Uygur Autonomous Region will have spent U.S.$162 million plus 486 million yuan to import 170 projects of foreign advanced technology, the ECONOMIC DAILY reported today.

The regional government decided that the first imported items will be those connected with the region's food, packaging and leather industries, the paper said.

The advanced technology will be introduced especially to the food industry in Kashi, Hetian and Xinyuan in southern Xinjiang to boost their milk and fruit products.

Sophisticated machines will be brought in to improve the region's fur and hide garment and shoe production. Also, techniques and equipment to produce hygienic soft packaging will be imported to help the region keep its surplus fruit fresh.

By the end of last year, the region had already imported 58 technological projects worth U.S.$37.9 million. An assembly line imported from Switzerland to produce hami-melon juice and jam enabled the residents to enjoy the soft drink made from the famous hami-melon for the first time in history.

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CSO: 4010/2002

FOREIGN TRADE AND INVESTMENT

YANTAI CITY IMPROVES INVESTMENT ENVIRONMENT

HK100527 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0549 GMT 7 Oct 86

[Report by reporter Yuan Chonghe [5913 1504 0735]: "Yantai Enacts Measures to Improve Investment Environment"]

[Text] Jinan, 7 Oct (ZHONGGUO XINWEN SHE)--Jiang Dehua, vice mayor of Yantai City in Shandong Province, proclaimed today that the Yantai City Government has decided to work out eight measures, so as to strive to create a good investment environment and give foreign investors good prospects for making gains.

Jiang Dehua said this to foreign visitors and overseas Chinese on the occasion of the first Yantai Art Festival.

He said that Yantai is one of the coastal open cities with abundant natural and material resources. Since the adoption of the policy of opening up to the outside world, over 5,000 foreign businessmen from scores of countries and regions have come to Yantai for business, signing 329 contracts totalling over $250 million. Over 50 percent of these items have been put into production.

In order to enable investors to achieve more profits, and to make them willing to invest in Yantai, preferential treatment will be given to foreign, overseas Chinese and Hong Kong businessmen in the following aspects: Low costs; material and capital supply; use of foreign exchange; decisionmaking power in enterprises with foreign investments; import and export licenses; construction works; tax exemptions; simplification of approval and examination procedures, and so on.

The vice mayor also said that Yantai will adopt various internationally accepted flexible business patterns such as direct foreign investment, foreign loans and so on. The emphasis in foreign investment will be placed on the textile industry, farm and sideline products processing, and other fields.

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CSO: 4006/67

BRIEFS

CHINESE-MONGOLIAN TRADE INCREASE--Ulaanbaatar, 3 Oct (XINHUA)--China and Mongolia have negotiated an agreement that sets the frontier trade volume between the two countries this year at 2.44 million Swiss france, a 3-fold increase over that of last year. The agreement was reached by China's Nei Monggol frontier trade delegation headed by Liu Shiqi, general manager of Nei Monggol frontier trade, and the departments concerned of Mongolia. The delegation left here for home today. [Text] [Beijing XINHUA Domestic Service in Chinese 0716 GMT 4 Oct 86 OW] /9738

HUBEI EARNS FOREIGN EXCHANGE--This year, the province earned U.S.$557 million in foreign exchange through export, fulfilling this year's export quota three months ahead of schedule. The volume was increased by 56.6 percent compared to the same period last year. The province's progress of fulfilling the quota ranks top in China. The province's textile, pharmaceutical, garment, handicraft and light industry products import and export companies overfulfilled this year's export quota. Some major export commodities such as rice, cotton, yarn, knitwear, cotton fabrics, honey, cement and Chinese herbal medicine also fulfilled this year's export quota ahead of schedule. [Text] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 1 Oct 86 HK] /9738

SECOND SINO-JAPANESE JOINT VENTURE--The Xinjiang Tianshan Pharmaceutical Industry Company Ltd., a Sino-Japanese joint venture, started operations in Urumqi today. The company is jointly invested and run by the Xinjiang Pharmaceutical Plant, the regional Medicine and Heatlh Care Products Company, Japan's Alps Pharmaceutical Industry Company Ltd, and (Long Tai) Trading Company Ltd. Qi Fengshan, vice chairman of the Regional Economic Commission and chairman of the board of directors of the Tianshan Pharmaceutical Industry Company, presided over today's inauguration ceremony. Regional party and government leaders Zhang Sixue, Qi Guo, Tuohudi Shabier, and Hederbai warmly celebrated the establishment of the region's second Sino-Japanese joint venture, together with cadres and workers of various nationalities. Mr Ogura, chairman of Japan Pharmaceutical Industry Association and president of the Alps Pharmaceutical Industry Company, presented a lorry to the company as a gift. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 Oct 86 HK] /9738

TRADE FIRM OPENS IN TOKYO--Tokyo, 15 Oct (XINHUA)--The Guangdong International Trade Company opened its headquarters in the Japanese capital today. The company, fueled by 55 percent Chinese capital and 45 percent Japanese, will deal in machinery, non-ferrous metals, textiles, and agricultural, marine and chemical products. [Text] [Beijing XINHUA in English 1148 GMT 15 Oct 86 OW] /9738

PRC MEETS CHILEAN DELEGATION--Beijing, 9 Oct (XINHUA)--Chinese Vice-Premier Yao Yilin met with a Chilean official delegation led by Coronel Manuel Loncha, vice minister of finance [name and title as received] here this afternoon. Chilean Ambassador to China Benjamin Opazo was present on the occasion. After their arrival here on 6 October at the invitation of the Ministry of Economic Relations and Trade, the Chilean visitors have attended the ninth meeting of the China-Chile Joint Committee on Economy and Trade, while in Beijing, they also called on Minister of Foreign Economic Relations and Trade Zheng Tuobin. [Text] [Beijing XINHUA in English 1738 GMT 9 Oct 86 OW] /9738

FUJIAN OPEN POLICY--Fuzhou, 10 October (XINHUA)--Fujian Province will further improve its investment climate to attract foreign investors, Vice-Governor Cai Ninglin today told a group of visiting foreign diplomats. Some 50 diplomats from 38 embassies in Beijing arrived here earlier today for a week-long visit to the east China province. Cai told the visitors that there has been a big improvement in the province's transport and communication systems. Direct phone calls can be made from Fuzhou, provincial capital, and Xiamen, one of China's four economic zones, to 13 countries and regions. Its air routes connect with Hong Kong, Singapore, the Philippines and Japan. Local authorities are striving to overcome bureaucracy and other poor work styles in order to raise the work efficiency of both the government and enterprises, according to the vice-governor. By 1990, Fujian is expected to double its electricity output, and railway and sea freight handling capacity, Cai said. [Text] [Beijing XINHUA in English 1711 GMT 10 Oct 86 OW] /12232

SHANGHAI MARINE BUSINESSES--Beijing, 11 October (XINHUA)--Shanghai's Departments of Harbor Engineering and Marine Salvation are doing business in other countries and they're making a healthy profit, the PEOPLE'S DAILY reported today. Over the past 5 years, the departments have signed over 100 contracts with foreign countries, earning 35.6 million U.S. dollars for China, the paper said. Shanghai-based China Harbor Engineering Company alone made 27 million U.S. dollars from its 20 contracted projects for which more than 600 staff workers have been working abroad. In one of the contracts, a Shanghai Harbor building company is exploring, designing or building dikes, wharves and berths in Burma and Tanzania. It began to export its own labor force in 1984, the paper reported. The company's workers now are also renovating a harbor in Columbia, the paper said, adding that the company has signed contracts worth 16 million U.S. dollars. The Shanghai Marine Salvation Bureau successfully towed a 88,000-ton oil barge to Thailand from Japan. The company has also towed an offshore drilling platform across the Pacific Ocean to Alaska from Japan, the paper said. The departments have been working in Columbia, Kuwait, Mexico, Malta, Tanzania and 12 other Asian, African and Latin American countries, according to the paper. [Text] [Beijing XINHUA In English 0233 GMT 11 Oct 86 OW] /12232

CSO: 4020/27

SHENZHEN STEPS UP INTRODUCTION OF FOREIGN FUNDS

HK161249 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1016 GMT 15 Oct 86

[Article by ZHONGGUO XINWEN SHE reporter Zhan Moujun [6124 6180 0193]: "Intake of Foreign Funds into the Shenzhen Special Economic Zone: From Planning to Action"--ZHONGGUO XINWEN SHE headline]

[Text] How is the Shenzhen Special Economic Zone doing in introducing foreign capital? Reviewing the progress made in this field in the last 3 quarters, we can find that the special economic zone has been regaining the initiative and shifting from "planning" to action.

Something Unexpected

Responsible persons of the departments concerned Xu Tienan and Lin Fengying briefed me on the progress made in introducing foreign capital. They said: The total value of investment contracts concluded with foreign business firms during the period from January to September this year amounted to HK$550 million. At first sight it is much lower than the value of investment made by foreign business firms during the same period of last year, which was recorded at HK$3.57 billion. But the case of last year was quite peculiar -- the investment in the Shajiao Power Plant Project alone totaled HK$3.2 billion. If the investment in this project is not counted, then the total value of investment contracts concluded in the first 9 months of this year will be 47.7 percent higher than the investment value recorded during the same period of last year. Foreign investment in Shenzhen last year accounted for only 25 percent of the total investment in the city (including the investments made by other provinces and cities of China). This year, the percentage of foreign investment rises to over 40 percent, and the number of projects run with foreign investment involving a value of over HK$10 million each reaches 24, also more than that of last year. Meanwhile, a growing number of new enterprises run with foreign capital, overseas Chinese capital, and with both Chinese and foreign capital have been established this year than last year. Among the 226 new enterprises of this category that were established this year, 62 have been put into operation, and 70 percent of their products are to be exported.

Stressing Real Effects

Since the beginning of this year, Shenzhen has taken the initiative and done a more solid job than last year in introducing foreign capital. In examining and approving contracts on investment projects, first of all the departments concerned require investors to confirm that the capital to run the projects is truly available, there is a readily potential market for the expectant products, and these products will be marketed abroad. As a result, business firms coming to negotiate investment contracts are mostly established economic entities. In the past, many contract negotiators were merely briefcase companies without real capital, and much of the information mentioned in proposed contracts was untrue. Now this phenomenon has been eliminated. Although there are fewer contracts submitted for approval and fewer projects approved this year than last year, they are generally more reliable and the rate of approval is over 10 percent higher than that of last year.

Shenzhen used to accept whatever foreign investment contracts offered. This year, as Shenzhen is better informed of new developments and world business and has more experience, it can now take the initiative in its hands in introducing foreign investment. For example, when planning to import a printed circuit board production line and the sign labelling equipment [yu qie fu hao she bei 7315 0434 4569 5714 6080 0271], the department concerned tried to contact as many manufacturers as possible for quotations. It negotiated with several manufacturers from the United States and Italy, carried out a study of the quality and prices of different choices, and finally decided to import the equipment from Italy. In consequence, the department made a good deal.

Besides, the Shenzhen authorities have also paid attention to the information feedback procedure that follows the introduction of projects and have strengthened macroeconomic guidance to enterprises run with foreign investment.

Taking Import of Software and Technology as the Key Link

The principle of taking the import of software and technology as the key link and import of hardware as the auxiliary is one of the important features of Shenzhen's efforts to introduce foreign investment this year. From January to September this year, Shenzhen city achieved three pure technology import projects, namely, the project for introducing metal and pottery and porcelain clay injection moulding techniques and the rolled aluminium processing technique from the United States, and the projects for introducing light industrial technology and printing ink production techniques from Canada and Japan.

In the past, Shenzhen used to overlook the introduction of technology but concentrated its attention on the introduction of hardware or both hardware and software. This year, the Shenzhen authorities have placed the import of technology on the agenda, and some contracts involving pure technology imports have been signed. This is regarded as a new breakthrough.

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CSO: 4006/67

SPECIAL ECONOMIC ZONES

XIAMEN SEZ INVESTMENT CLIMATE IMPROVED

Beijing RENMIN RIBAO in Chinese 13 Sep 86 p 1

[Article by Liu Changjin [0491 1603 6855]: "The Investment Climate in the Xiamen SEZ Has Clearly Improved; Through 5 Years of Construction, the Infrastructure, Including Telecommunication and Transport Facilities, Has Begun To Take Shape; Over 100 Joint Ventures, Cooperative Ventures, and Wholly Foreign-Owned Enterprises Have Gone Into Operation"]

[Text] Many Chinese and foreign businessmen have visited Xiamen since the summer of 1986, and all have praised this "garden-on-the-sea" city for its "recent changes."

The Xiamen SEZ has invested 1.78 billion yuan in capital construction in the past 5 years, or 2.4-fold that of the previous 31 years. Its 1985 GVIAO and revenue were both double those of 1980, and the net income of its urban residents has more than doubled in 5 years.

Businessmen staying here in Siamen feel uninamously that "things are much more convenient now." In the past it was a whole morning's work to make a long-distance domestic phone call, but noe one can pick up a remote-controlled phone and dial direct to Hong Kong, Japan, and the United States. The "basic project" of the Xiamen government's key construction, the investment climate, has clearly improved. The first phase of the new project of developing the Huli Industrial Zone is now drawing to a close, and 390,000 square meters of general factory buildings have been built by the bay for sale or rental to foreign businessmen. The Xiamen International Airport, which was built with locally raised funds, has 49 scheduled flights a week, and foreign and domestic passenger and cargo planes from all large and medium-sized cities in China and places such as Hong Kong, the Philippines, Japan, and Singapore, take off and land here daily. The favorable investment climate is attracting many investors.

The furnishings and structure of this "window" are becoming richer and more rational, with imports and exports "taking off as one." Based on local and domestic needs, the Xiamen government has paid attention to planning things, such as imported technology and equipment, cooperative projects, and export products, has concluded transactions for the best, and has devoted its efforts to seeking results. There are now 126 Chinese-foreign joint ventures, Chinese-foreign cooperative ventures, and wholly foreign-owned enterprises, which have been finished and put into operation throughout the city of Xiamen. Their output value is over 400 million yuan a year, or nearly one-fifth of the GVIO throughout the city of Xiamen. By the end of June 1986, Xiamen had signed 314 contracts with foreign businessmen for the "three kinds" of enterprises, and 225 of these, with a combined investment of $870 million, have been examined and ratified. The fields of investment are gradually expanding, and include projects in electronics, building materials, light textiles, food, plastic goods, tourism, finance, construction fittings, breeding of aquatic products, real estate, and commerce. In addition to those who have come to invest in Xiamen from the Hong Kong-Macao area, businessmen have also come from over 10 countries, such as Singapore, the United States, the FRG, Japan, Kuwait, and Poland.

The Xiamen SEZ is daily increasing its ability to draw imported capital and technology into the interior and is fulfilling its role as a "window to technology" for the hinterland. In the past 3 years, it has imported over 1,800 pieces (sets) of advanced equipment from abroad, enabling over 150 factories to transform in varying degrees.

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CSO: 4006/27

POPULATION

HEBEI HOLDS CONFERENCE ON FAMILY PLANNING

SK060845 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 24 Sep 86

[Text] On the evening of 24 September, the provincial party committee and government held a provincial family planning telephone conference, calling on Communist Party and CYL members, cadres at all levels, and the masses of people throughout the province to study again the party Central Committee's open letter on controlling the population growth of our country issued to all party and CYL members, resolutely put population growth under strict control, and grasp family planning work firmly and successfully.

The conference pointed out: The date 25 September this year marks the sixth anniversary of the issuance of the party Central Committee's open letter, and this year is the first year to implement the Seventh 5-Year Plan. The Seventh 5-Year Plan period will witness a birth peak, and therefore the tasks for family planning are all the more arduous during this period. Population growth should be brought under strict control. We should not deviate from this principle.

The conference urged: Party committees and governments at all levels should conscientiously attach great importance to family planning, and grasp it as they do economic work. If the population growth of a locality is out of control, its party committee and government should bear responsibility for their dereliction of duty.

The conference emphasized: It is necessary to comprehensively understand and correctly implement the party's family planning policy. Perfecting the child-birth policy does not mean allowing people extensively to have a second birth; still less does it mean allowing unjustifiable births. We should continue to give side publicity to the one child per couple policy, and late marriage and late child-birth. With regard to people who really have practical difficulties, arrangements should be made in a planned manner according to policies for them to give second births. Unplanned second births and multiple births should be strictly banned, and so should allowing people to give unjustifiable births. All localities should conscientiously conduct an inspection on how the child-birth policy is implemented, study, formulate, earnestly carry out and improve the award-punishment methods corresponding with the child-birth policy, and resolutely adopt birth control measures.

The conference called on all localities to conduct an earnest analysis of the family planning work of the counties, townships, and villages under their jursidiction, strengthen guidance to them according to their specific conditions, exert great efforts to help backward counties, townships, villages and households transform themselves, and guard against laissez-faire.

The conference pointed out that attention should be paid to summing up the fresh experiences in advocating the one child per couple policy, in helping the families with only one child achieve affluence, and in building civilized households.

The provincial party committee and government are preparing to hold a provincial family planning work conference at the end of this year to exchange experiences so as to promote our province's family planning work in both range and quality.

The telephone conference was presided over by Yue Qifeng, deputy secretary of the provincial party committee. Vice Governor Wang Zuwu spoke at the conference. (Guo Shujiang), secretary of the Cangzhou Prefectural Party Committee, and (Su Musen), permanent deputy comissioner of the Hengshui Prefectural Commissioner's Office, introduced their experiences in carrying out family planning work successfully.

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CSO: 4006/65

JILIN COMMENTARY HAILS FAMILY PLANNING LETTER

SK250922 Changchun Jilin Provincial Service in Mandarin 2200 GMT 24 Sep 86

[Station commentary: "Developing an Excellent Situation in Family Planning," hailing the 6th anniversary of the issuance of the open letter]

[Excerpts] On 25 September will be the 6th anniversary of the issuance of the open letter on controlling China's population, by the CPC Central Committee for all Communist Party and CYL members. Practice in the past 6 years shows that the open letter's advocation of one couple one child serves as a great driving force for the development of family planning work and for changing the people's concept of having children.

In the past 6 years, our province has scored great achievements in family planning work, and the overquick growth of population has been effectively controlled. During the Sixth 5-Year Plan, the province's annual average natural population growth rate was 8.11 per thousand. Compared with the birth rate of 1972, a total of 2.38 million fewer people were born in 5 years, thus saving a sum of 4.879 billion yuan that would have been used in bringing up these people.

Since the issuance of the open letter, a great number of model party and CYL members, cadres and people who have responded to the party's call for voluntarily giving one birth and a great number of advanced persons who are dedicated to fmaily planning work have emerged throughout the province. Great changes have taken place in the people's concept of having children.

During the Seventh 5-Year Plan, China will enter the second birth peak period. Leading cadres at all levels should be sober-minded, and should not be careless. It is necessary to pay great attention to family planning work and to grasp it unremittingly through to the end. The broad masses of party and CYL members and cadres should set examples and taken the lead in observing family planning policies, and make new contributions to fulfilling the province's population plan during the Seventh 5-Year Plan.

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CSO: 4006/65

POPULATION

BRIEFS

SICHUAN : 3,000 BIRTHS DAILY--The "Land of Plenty," where the population has long since passed the 100 million mark, admits an average of 3,484 little citizens every day to the Chinese "nation." This reporter learned recently from the department concerned in Sichuan that in the first half of this year 630,575 babies were born in this province, averaging 3,484 births daily and surpassing the same period last year by 208,376 births, or 49.35 percent. The sharp rise in population growth shows that: 1) a second peak in childbirths has arrived in Sichuan; 2) more couples are allowed to have two children owing to real personal difficulties; and 3) family planning work has slackened in some places. According to statistics, in the first half of this year, the one-child-per-couple rate dropped 11.58 percent from the same period last year, while the rates of second births and additional births rose 11.72 percent and 1.2 percent, respectively, over the same period last year. What merits attention is the fact that the number of people marrying early has increased markedly, and the late-marriage rate has dropped to 27.76 percent, the lowest in several years. In the past few months, the provincial CPC committee and provincial government have urged the localities in good time to adopt a series of realistic measures to stabilize the present childbirth policy, continue to encourage and reward couples to have only one child, and energetically publicize the idea of getting married and having children at a more mature age. At present, the situation of excessive population growth in the province is easing. [Text] [Beijing JIHUASHENGYU BAO in Chinese 8 Aug 86 p 1] 12802/9869

REGULATIONS ISSUED FOR RETIRED ENGINEERS--Beijing, 20 Oct (XINHUA)--The State Council has issued new regulations to tap the expertise of retired engineers and specialists, according to a document made available to XINHUA today. Over the past few years, many engineers and specialists have retired according to the new retirement policy but many are still in good health and capable in their fields, the document says. Local governments should help them play active roles in their specialities or related fields by inviting them to do translation work, give lectures, provide consulting and information services and help train young people. "But, for the sake of their health, it's better not to let them hold leading positions," the document adds. "They can receive payment while engaging in these activities, in addition to their pensions and other official benefits." But if their additional income exceeds a certain amount stipulated in the income tax law, they should pay appropriate tax. Re-employed retirees should be allowed to borrow books and materials from their original working places, but those wanting to use equipment, technical materials or blue-prints must get approval of the leaders, according to the regulation. [Text] [Beijing XINHUA in English 1318 GMT 20 Oct 86 OW] /12624

CSO: 4020/24

TRANSPORTATION

WAN LI, HUANG HUA OPEN BRIDGE

OW010521 Beijing XINHUA Domestic Service in Chinese 1720 GMT 30 Sep 86

[Article by reporters Yin Daofu and Wang Geng]

[Excerpts] Zhengzhou, 30 Sep (XINHUA)--The Huanghe highway bridge at Zhengzhou, the longest highway bridge in China, formally opened to traffic today.

Wan Li, vice premier; Huang Hua, vice chairman of the NPC Standing Committee; leading cadres of the departments concerned; and some 2,000 people of all walks of life attended the opening ceremony this morning.

On behalf of the Party Central Committee and the State Council Comrade Wan Li extended his congratulations and regards to all engineers, technicians, cadres, and workers. He said: Facts have again proven that as long as we have correct decisions and policies, our technical personnel, leading cadres, and workers are capable of achievement in the four modernizations."

Amidst sound of firecrackers and gongs and drums, Huang Hua and Liu Yawei, deputy secretary of the Henan Provincial Party Committee, unveiled a stone tablet inscribed with the name of the bridge in Comrade Deng Xiaoping's handwriting. Wan Li and Yang Xizong, secretary of the Henan Provincial Party Committee, cut the ribbon to open the bridge.

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CSO: 4006/58

TRANSPORTATION

MORE FUNDS INVESTED TO BUILD AIRPORTS

OW151016 Beijing XINHUA in English 0904 GMT 15 Oct 86

[Text] Beijing, 15 October (XINHUA)--China will have invested more than 500 million yuan (about US$140 million) to accelerate construction and expansion of 12 airports across the country this year, a government official said here today.

Next year, the official said, construction will start on 16 airports in open coastal cities, important economic centers, tourist cities and remote areas.

An official of the Civil Aviation Administration of China (CAAC) told XINHUA that "the airport projects are part of the nation's efforts to improve economic infrastructure for developing tourism and the national economy while relieving strains on air service."

A CAAC official said the plan includes new projects and the expansion of runways and building new terminals. Part of the project is designed to accommodate larger aircraft such as Boeing 737s and MD-80s next year, and more in the next few years.

Some airports are located in open coastal cities such as Ningbo and Wenzhou in East China, and Beihai and Shantou in South China. These four cities have been officially opened to foreign investment.

A new airport will go into operation in November in Beihai, Guangxi Zhuang Autonomous region. The plane will fly the Guangzhou-Beihai-Nanning route every Thursday and Sunday.

A 60 million yuan-expansion project started at Shantou Airport in July and will be completed at the end of the year. The airport has been designated an entry and exit port and it will be expanded to eventually handle foreign planes. Currently its use is limited to Chinese planes flying the Shantou-Hong Kong-Bangkok route.

Work is expected to start on an international airport in the Shenzhen special economic zone later this year. The first stage will include a 2,800 meter long runway, suitable for Boeing 737's and tridents.

Some are in tourist cities including ancient Luoyang city in Henan province, and Tunxi near the well-known Huangshan Mountain in Anhui province.

Louyang is building a modern airport to accommodate Boeing 737's to meet the needs of growing numbers of tourists. More than 20 other major airport facilities are expected to be completed by the end of this year.

Expansion work on Changchun Airport with a 2,600-meter main runway was completed in Northeast China's Julin province.

"Obviously, air service facilities are not enough, even with large scale projects underway. To further improve air service conditions, the Chinese government plans to allocate more funds to build and upgrade airports next year," the CAAC official said.

Next year construction will start on 16 airports in Baotou, Chengdu, Guilin, Hangzhou, Junming, Nanjing, Shanghai, Shenyang, and other cities.

China has now 90 civilian airports, of which eight can accommodate Boeing 747's, while Boeing 737's and Tridents can land in 32 airports.

According to the administration, "the Chinese government is paying special attention to the development of air service in cities where it is rather strained and many people have to wait."

The country invested four million yuan to improve air service facilities while also spending large sums of money to buy airplanes.

Hu Yizhou, director general of the Civil Aviation Administration of China said, "China's national carrier--CAAC--added nearly 100 imported jets to its fleet over the past five years."

"That brings its total number of planes to 460 and has enabled the airline to increase passenger seats 70 percent since 1980," he added, "and this year CAAC will add 30 jumbo jets, including Boeing 747's ABD Boeing 767's, to its fleet."

The airline now operates more than 1,000 flights a week, establishing a nationwide air service network with its center in Beijing, the capital of China.

CAAC also operates more than 60 flights between Hong Kong and Beijing, Guangzhou, Hangzhou, Kunming, Shangahi and Tianjin.

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CSO: 4020/22

XINJIANG RADIO HAILS COMPLETION OF SHIHEZI RAILSECTION

HK081459 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Oct 86

[Station commentary: "A Happy Event in the Economic Life of People of Various Nationalities--Warmly Congratulating the Completion of the Track Laying Project at Shihezi in the Beijing Railway"]

[Excerpts] Completion of the track laying project at Shihezi in the Beijing Railway is a happy event in the economic life of people of various nationalities in the region. We hereby extend warm congratulations to the workers, cadres, engineering and technological personnel, and PLA officers and soldiers who have taken part in the railway project.

The Beijing Railway project started in May last year. In the 17 months since then, the builders have built some 124 kilometers of railway. This speed is not only unprecedented in the railway building history of the region, but is also rare in the country's railway construction.

Building the Beijing Railway has been a long-cherished desire and demand of people of various nationalities in the region. Completion of the railway will play an important role not only in expanding exchange of goods between the urban and rural areas, in promoting economic development in northern Xinjiang and all of Xinjiang, but also in strengthening friendly ties between Xinjiang, China and the people of all European countries, in developing economic and technological cooperation, and in developing foreign trade.

Now the track has been laid to Shihezi in the Beijing Railway. This is a great victory. However, this is only a good beginning for the entire project. To complete the entire railway project, our task will be more difficult and arduous. We hope that the relevant regional departments and people's governments at all levels along the Beijing Railway line vigorously support the railway construction just as in the past, and do their utmost to meet the needs of the project in areas of funds, material, land, and workforce. We also hope that the comrades taking part in the railway project continue to maintain a style of hard work and plain living, unite as one to fight, attain a great target, and make new and greater contributions to the completion of the entire Beijing Railway project.

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CSO: 4006/58

TRANSPORTATION

BRIEFS

NORTHERN XINJIANG RAILROAD--Beijing 2 October (XINHUA)--Rail-laying has been completed on one-fourth of the 470-kilometer northern Xinjiang Railroad. When finished, the line will run from Urumqi, capital of the Xinjiang Uygur Autonomous Region, to the Alataw Pass on China's northwest border with the Soviet Union, where it will connect to an existing Soviet railroad. Work on the Northern Xinjiang, a major project of New China in the 1950s, halted after relations between China and the Soviet Union deteriorated in the early 1960s. It was resumed in 1985. The completed line--China's third rail connection to the Soviet Union--is expected to enhance China's international trade. [Text] [Beijing XINHUA in English 1533 GMT 2 Oct 86 OW] /12913

DOMESTIC AIRCRAFT FOR MINOR ROUTES--Beijing, 14 October (XINHUA)--The Sichuan Airline Company signed a contract here today to buy two airplanes made in Xian. This is the first time for a Chinese local airline to buy Chinese-made aircraft. An official of the Aviation Industry Ministry said at the signing ceremony that the main functions of the Yun-7 passenger plane, modified with imported electronic equipment, and the Yun-12 are better than those of similar airplanes made abroad. Besides, the price is lower. He said that from now on China will not import passenger planes for minor routes and the government will support the local production of aircraft by importing technology and equipment. [Text] [Beijing XINHUA in English 1605 GMT 14 Oct 86 OW] /12913

GAOMING PORT OPENS--Guangzhou, 3 Oct (ZHONGGUO XINWEN SHE)--The loading and unloading wharf for import and export cargo of Gaoming Port by the side of Xi Jiang holds a traffic-opening ceremony today. So far, all the counties of Foshan city have ports for import and export cargo. This new 500-ton wharf is situated in the eastern suburbs of Gaoming town and by the side of Linggui Pagoda. With one high-water level berth and one low-water level berth, it can accommodate 300-ton cargo ships in the dry season and 1,000-tons cargo ships in the rainy season. Over a dozen of Gaoming County's traditional export farm and sideline products, such as Sanzhou black rice, Heshui water melon, Duichuan tea, tumeric, yams, and so on, are selling very well in Hong Kong, Macao, the United States, and countries in Southeast Asia. In recent years, the export trade of this county has been growing year after year. From January to Setpember of this year, the total purchase volume of the foreign trade of the whole county was over 26 million yuan, an increase of 276 percent over the corresponding period of last year. [Report: "Gaoming County Port in Guangdong Province Opens to Traffic"] [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1716 GMT 3 Oct 86 HK] /9738

JINZHOU THIRD BIGGEST PORT--Shenyang, 3 Oct (ZHONGGUO XINWEN SHE)--China has decided to build Jinzhou commercial port, the third largest commercial port in northeast China, in Jinzhou of Liaoning Province. Classified as one of the key construction projects during the country's "Seventh 5-Year Plan," this project will be officially started next year and completed in 1989. Situated on the area of water west of Dabijia Shan in Shijin County, which is 15 km from Jinzhou City, Jinzhou Port will occupy an area of 10 square km. The construction work for the port will be carried out in phases. The first-phase project includes five 10,000-ton berths, of which three are for sundry goods and two are for finished oil products, being capable of handling a total of 3.75 million tons of goods. At present, the preliminary work for the first-phase project will start soon and the construction materials and work teams have arrived at the construction site in succession. It is learned that the total investment for the whole preliminary project is 162 million yuan, of which $25 million is loans provided by the Kuwaiti Government. [Text] [Hong Kong ZHONGGUO XINWEN SHE 1827 GMT 3 Oct 86 HK] /9738

HENGYANG-GUANGDONG FEEDER LINES--Guangdong opens three feeder lines today on the province's Hengyang-Guangzhou railroad. They are the Dalang-(Tangqi), Juntian-Letong line and (Yinjiao'ao)-(Zhuchao) city lines. The railroad constructions in these districts and towns were projects listed by the Ministry of Railroads to be completed by the end of September. Since March last year when the projects started, workers from the No. 4 Engineering Company under the Provincial Railroad Bureau have worked hard day and night. Overcoming various difficulties, they laid 580,000 cubic meters of earth and stone as railroad foundation, built 12 bridges and 50 culverts, and laid 21 kilometers of track. During the construction work, they exercised strict quality control so that the feeder lines were built successfully and opened to traffic. [Text] [Guangzhou Guangdonng Provincial Service in Mandarin 1000 GMT 30 Sep 86 HK] /9738

EXPRESSWAY LINKING SHENZHEN, SHANTOU--Guangzhou, 29 Sep (ZHONGGUO XINWEN SHE) --This reporter has learned from the Guangdong Provincial Transportation Department that Guangdong is to build an expressway from Shenzhen to Shantou. A feasibility study of the project was completed a few days ago. It is reported that some highway sections of the project have been surveyed and that initial designs for these sections have started. According to the designs, the projected Shenzhen-Shantou expressway, with a total length of 303.4 km, starts at Shenzhen's Shawan and, after passing through Haifeng, Lufeng, and Puning, ends in Shantou. The project includes over 350 big and small bridges, over 600 culverts, and 36 flyovers. According to calculations by the relevant department, the project will cost 1.2 billion yuan. Some foreign capital will be introduced for the construction of the expressway. The entire project will be completed in about 4 years. After completion, cars using the expressway may run at a maximum speed of 100 km an hour. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1051 GMT 29 Sep 86 HK] /9738

SECOND ASIA-EUROPE BRIDGE URGED--According to the West China edition of JINGJI RIBAO, the research center of Urumqi Railroad Bureau in Xinjiang recently published a thesis holding that it is urgently essential to build a second land bridge linking Asia and Europe. The second bridge should start at Lianyungang, proceed along the Longhai and Lanzhou-Xinjiang lines, and from Urumqi go through the Alashan Pass to link up with the Soviet Union's Puxi railroad. Results of studies show that freignt transport costs to

Europe on such a link would be 20 percent less than from using joint land and sea transport via the Suez Canal. The moment such a railroad is linked up, it could handle foreign trade goods of over 30 eastern and western countries and become a Silk Road of the 1980's. [Text] [Xian Shaanxi Provincial Service in Mandarin 0200 GMT 3 Oct 86 HK] /9738

CSO: 4006/58

TRADE OFFICIAL ADDRESSES ROME SEMINAR ON WORLD ECONOMY

OW130845 Beijing XINHUA in English 0727 GMT 13 Oct 86

[Text] Rimini, Italy, 12 Oct (XINHUA)--A Chinese official said here today that the main obstacle to the internationalization of the world economy and trade is the inequitable north-south relationship.

Speaking at a seminar on the world economy here, Jia Shi, chairman of the China Council for the Promotion of International Trade, said the most pressing task for the international community is to prevent a further worsening of the economic and trade conditions of the developing countries.

To this end, he suggested, the developed countries should fulfill their promise to reduce or eliminate trade protectionism. Particularly, he added, they should stabilize and raise the prices of primary products, further lower their interest rates and improve the terms of debt payments. Jia also urged a reduction in and even an end to harsh terms and restrictions on the transfer of technology to the developing countries.

The international seminar, which opened here today with the theme of "piloting the megatrend," is organized by the Italian Pio Manzu International Research Center.

In his speech entitled "the changing geography of commercial development," Jia said that regional grouping, though at different stages, is a typical form of grouping in the process of world economic and trade development. These changes in the world economy and trade since the second world war have upset the traditional economic trade relations in some spheres, and boosted the world trade as a whole.

He noted that the geographical change of the world economy and trade has entered "a period of pluralized regional grouping," and will further grow, though unevenly, in the coming years.

Jia pointed out that in the course of pluralized regional grouping, the uneven development has brought about a sharper contradiction in the north-south relationship. He blamed the deterioration on falling prices of primary products of the developing countries, their heavy debt burden, and the stern protectionist measures against their manufactured goods imposed by the developed countries.

Meanwhile, Jia called on developing countries to adopt independent strategies and readjust their development priorities in the light of the actual conditions of their own countries.

The seminar, which will last until 14 October, is the 12th since 1969 when the research center was first set up with the aim of promoting international economic cooperation, particularly cooperation between European and Arab nations.

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CSO: 4020/23

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

HORIZONTAL ECONOMIC RELATIONS IN SOVIET UNION, EASTERN EUROPE

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 6, 15 Jun 86 pp 45-49

[Article by Wang Aizhu [3769 1947 3796]: "Economic Reform in Soviet Union, Eastern Europe"]

[Text] The development of a socialist commodity economy and modern production requires horizontal economic interactions. The process by which a new system replaces the old is also a time when we develop extensive horizontal economic interactions and eliminate localism and sectionalism. The development of horizontal economic interactions and the elimination of fragmentation are not only an important part of the restructuring of the urban economic system in China, but have also occurred in the Soviet Union and Eastern Europe as those nations sought to reform their own economic systems.

I. On a theoretical level, foreign and Chinese economists classify socialist economic systems differently. They look at socialist economic systems from different perspectives and employ various classification criteria to differentiate between different socialist economic models. Some identify three models: centralized, decentralized and mixed, depending on the level at which economic decision-making takes place. Others identify the planned economy, the market economy, and the hybrid economy combining elements of both the planned and market economies, according to the extent to which planning and market mechanisms exist side by side. Yet others look at the coordinative mechanisms of the macroeconomy and distinguish between four models: direct administrative coordination (IA); indirect administrative coordination (IB); decontrolled market coordination (IIA) and controlled market coordination (IIB). So on and so forth. I propose to do a comparative study of the economic systems of the Soviet Union and Eastern Europe from the angle of microeconomic mechanisms.

The so-called microeconomic mechanisms refer to the way the enterprise, the basic unit in a socialist economy, operates. How does an enterprise really operate economically? Is it administratively subordinate to the state, taking orders from the latter in the organization of production and business affairs, and depends mainly on the vertical flow of information and centralized decision-making for coordination? Or does it depend on horizontal economic interactions, that is, market demand, in the organization of production and business activities? Is it free from subordination to the state and relies mainly on the horizontal flow of information and decentralized decision-making in regulating its economic life? Or does it rely on both vertical and horizontal interactions, deciding the routine day-to-day production and business matters on its own and leaving the state to set the development direction and determine the product mix and methods of investment? Do its managers keep one eye on the authorities above and another on the market? Does it rely on a dual flow of information and dual-level decision-making for coordination? By this criterion, the economies of the Soviet Union and Eastern Europe also fall into three categories. The first category relies on vertical interactions and is represented by the Soviet Union. The second relies on horizontal interactions and is represented by Yugoslavia. The third has a dual dependency--horizontal and vertical--and is represented by Hungary.

Although the Soviet Union has consistently considered the expansion of enterprise autonomy an important goal of the package of economic reforms it introduced in 1965, such autonomy has remained very limited thus far. As far as production is concerned, mandatory targets handed down by administrative agencies still reign supreme. The only change is that there are now fewer targets and that the target system has been improved. Concerning the supply of materials, the state still clings to planned allocation through administrative means, and only 5 percent of goods and materials enjoy free market circulation. Consequently resource allocation remains vertical. Horizontal interactions and contractual relations are of a merely executive nature. Enterprises' goods supply contracts in effect are a guarantee of the vertical allocation of resources, and enterprises lack genuine autonomy. The prices of most products are still set by the state; enterprises are free to determine only the temporary prices of new products and one-shot orders. The state basically exercises a monopoly on the sale of means of production and consumer goods. In a system dominated by a vertical chain of administrative orders, ever-changing consumer demand cannot be transmitted promptly to production decision-makers through the price medium. As production becomes divorced from demand, inventories pile up and consumer interests are not served. Moreover, enterprises' payroll and labor remuneration standards and the amount of profits they can retain are all centrally regulated by the state bureaucracy. Enterprise managers and factory directors are appointed by the higher authorities. It is those authorities which determine whether an enterprise is to expand, reduce in size, close, suspend, merge or switch to another line of business. The relations between an enterprise and the agency in charge are one of subordination. Since an enterprise is not an independent economic entity and cannot independently discharge its own economic affairs, it is not responsible for the consequences of its actions. That is why the enterprise economic accounting system in use in the Soviet Union for years has unavoidably fallen into formalism.

Yugoslavia began a system of worker self-management in 1950, which was extended in later years to society as a whole, forming a socialist self-management system. In essence, the Yugoslavian system of self-management replaced a handful of state appointees with the entire labor force as economic managers. The most basic unit in the self-managed economic system is the joint basic labor organization, an independent economic entity that enjoys managerial autonomy and is responsible for its profits and losses. The joint labor basic organization is empowered to draw up a production plan based on market demand and its own circumstances, to put its products on the market and sell them freely, and to select and purchase the raw materials and equipment it needs on its own. As far as the prices of products are concerned, apart from a handful of key commodities under state price control, enterprises are free to set prices in the light of market conditions. As for income distribution, enterprises can dispose of their net income minus statutory payments to the state and voluntary payments in the way they see fit. United basic labor organizations can team up with one another to form joint labor organizations on the principles of voluntarism and mutual benefit. The latter, in turn, can establish complex joint labor organizations on an even larger scale. Joint basic labor organizations have the right to take part in, and withdraw from, a joint labor organization. With their respective self-interests, the various joint labor organizations may conflict with one another and are unregulated to a certain extent. Apart from coordination through self-management agreement and the social contract, the state also intervenes in the economic system through economic policies, legislation, and supervision. Hence the Yugoslavian system is a dual system in which the two forces--"self-management and the state"--play a role.

In Yugoslavia's self-managed economic system, the relations between enterprises and the state are not one of subordination. As autonomous economic entities responsible for balancing their accounts, enterprises should be free to exchange products, technology, and labor among themselves in a unified national socialist market through extensive horizontal interactions. They should also be able to pool funds and labor. But judging from the realities of economic life in Yugoslavia, enterprise autonomy is not as substantial as that conferred by the socialist self-management system. A multitude of political forces interfere excessively in the economic activities of enterprises. The federal government influences enterprises primarily through federal policies, laws, and the social contract at the federal level. Yugoslavia is a multinational federation comprising six republics and two autonomous provinces. In the course of economic reform, the federal government has gradually delegated its powers to the republics and provinces. Yet the latter have not delegated their own powers to enterprises and direct producers as required. Within their own jurisdictions, the various republics exercise a vital impact on such crucial issues as investments, prices, and taxes, with local communities playing a vital role in economic affairs. The republics have both interests to protect and the power to do so. Inevitably they have sought to exclude one another and resorted to empire-building. Driven by sectionalism, the various republics and autonomous provinces all want to have small but self-contained economies, resulting in extensive project duplication. Production capacity made possible by massive investments is under-utilized, while economic imbalances are exacerbated. The Yugoslavian federal government has long been aware of the proportionate imbalances in the economic structure, but has been powerless to do anything about them.

The basic characteristic of economic reform in Hungary is to combine state planning with market regulation, making enterprises much more autonomous. Mandatory state planning in production has basically been abolished and enterprises are free to draw up their own production plans based on market demand. In case of a major discrepancy between the plan of an enterprise and state plan, the state and enterprise will get together to work out a compromise. If necessary, the enterprise plan may be modified by administrative mechanisms. Centralized allocation and distribution of materials were abolished. In most cases enterprises do their procurement on the open market. However, certain materials in short supply and vital to the national economy and people's livelihood are still allocated and distributed by the state in a centralized way. Enterprises can choose to sell its products domestically or export them. They also have the power to set the prices of part of their output, whereas essential commodities impacting the national economy and people's livelihood remain under state price control. After paying the various taxes as required, enterprises are allowed to dispose of the profits as they see fit.

As a commodity producer and commercial operator, a Hungarian enterprise is dependent on the market, that is, it depends on the input of purchases and the output of sales. Yet as Ke Er Nei has pointed out, state-owned enterprises in Hungary have a dual dependency--on the government authorities above as well as the market. Enterprises are still administratively subordinate to the bureaucracy with the power to make binding decisions.

Although Hungary has abolished command planning in commodity production and passed laws and regulations prohibiting interference in enterprise operations, command planning in disguise still exists. It is just that today what comes out of the bureaucracy is no longer "orders" but "requests." And these "requests" are made by people who influence the appointment and promotion of enterprise leaders. Clearly these "requests" are actually no different from orders and are therefore also known as "orders in disguise" and "informational orders." Moreover, there exists in Hungary a maze of taxes and subsidies. In their myriad shapes and forms, these taxes and subsidies are the products of different agencies which control the enterprises and interfere in their microeconomic activities. Intervention distorts prices. Instead of devoting themselves to lowering internal costs and improving product quality to increase earnings, enterprises must spend their energies haggling with the bureaucracy and thinking of ways to have their taxes lowered and secure subsidies, thus further removing themselves from effective management and profitability. It can therefore be seen that enterprises in Hungary watch the bureaucracy more closely than they watch the market.

II. That different economic models obtain in the Soviet Union and the various Eastern European nations certainly has something to do with the fact that circumstances vary from state to state. But another reason is that they subscribe to different schools of reform thought, as shown in the following three aspects:

1. Varying interpretations of the socialist system of ownership.
The public ownership of means of production is dominant in the Soviet Union and throughout Eastern Europe, but these countries vary in the way they see the formation of public ownership.

Historically the Soviet Union has equated socialist state ownership with socialist state public ownership, arguing that socialist state ownership is the only form, in fact the highest and best form, of socialist public ownership. The Soviet Union stresses the state ownership of the means of production and direct state management of enterprises. Although the worker is legally the master of the state and enterprises, in reality he exercises no leadership in enterprise management. Enterprises remain subordinate to the administrative agency above. Guided by this school of thought, it is no wonder that the Soviet Union has fashioned an economic management system characterized only by vertical dependency and lacking horizontal economic interactions.

Yugoslavia was the first to make a break with the traditional view that socialist state ownership was socialist public ownership and that state ownership was the best and highest form of socialist public ownership. The Yugoslavians believe that one cannot evaluate the social historical functions of the different forms of public ownership in a static way without taking time and place into account. To them, the socialization of mass production is a process and not a one-shot move. They refuse to equate the state ownership of means of production with their socialization, that is, they refuse to assume simplistically that once means of production cease being private property and become socialist state property, their socialization is accomplished. They argue that state ownership is only the first stage in the socialization of means of production. As means of production become more and more genuinely socialized public property, the need for self-management also arises. Consequently, as early as the 1950's, Yugoslavia began worker self-management and replaced state ownership with social ownership. Their social ownership differs from both state ownership and collective ownership, not to mention private ownership. First and foremost, social ownership is essentially self-management by direct producers. And every individual must work before he can claim the power of self-management. The relations between self-managed enterprises and the state are not those of administrative subordination. As separate independent economic entities, self-managed enterprises can only maintain horizontal interactions with one another through commodity and monetary exchange and through the market.

Like the Soviet Union, Hungary adheres to the state ownership of means of production and the state ownership of enterprises. Now and then, however, Hungary also insists on the expansion of enterprise autonomy. It believes that "it is impossible to run the national economy like a giant enterprise." Accordingly, Hungary advocates a functional separation between the owners and managers of enterprises, arguing that since there is internal separation within state ownership, enterprises should also be separated from the state. It is thus clear that as owners of enterprises, the state can directly intervene in their operations and that the relations between the former and latter are still one of vertical subordination. As independent operators, enterprises can interact horizontally and economically with one another only through the market. State ownership determines that even as they develop a dual dependency--both vertical and horizontal--enterprises more often look to the bureaucracy above.

2. Varying interpretations of the nature of a socialist economy.
The Soviet Union has stressed for years that a socialist economy is a planned economy. Yet the Soviet model of a planned economy is in effect a commodity planned economy. The Soviets argue that all economic activities--not only social production, but also goods and material distribution, exchange, and

consumption--must be managed and coordinated by the state through centralized planning. Moreover, the Soviet Union equates command planning with a planned economy and regards a strict adherence to command planning as the universal law of a socialist economy. In the Soviet view, command planning is a manifestation of the state ownership of the means of production. To deny command planning is to deny state ownership and a planned economy.

While the Soviet Union acknowledges the existence of commodity production and commodity exchange in a socialist society, many Soviet economists have for a long time dismissed commodity and monetary relations as alien to a socialist planned economy and demanded their restriction. Before and after the economic reforms of the mid-1960's, some reform-minded economists contended that socialist production was commodity production and that the regulatory role of the law of value in socialist production and circulation should be affirmed. Although the Soviet Union too recognizes the value of the market and pays lip service to the need for the law of value, it believes that all the elements of the market--prices, consumer demand, and commodity supply--must be incorporated into the plan. It opposes market regulation, the spontaneity of the law of value, and competition.

Since the Soviet Union emphasizes that a socialist economy is a planned economy with mandatory targets handed down by the state and denies that it is still a commodity economy, it follows that as the basic unit in such an economy, the enterprise cannot function in the market as a commodity producer. Inevitably horizontal economic interactions between enterprises are replaced by vertical dependency.

Yugoslavia was the first to discard the traditional notion that a commodity economy was incompatible with a socialist planned economy and that planning and the market were mutually exclusive and was the first to affirm that a socialist economy is still a commodity economy. This is because enterprise self-management is closely related to a commodity economy. Self-managed enterprises decide such major matters as production, distribution, exchange, and consumption. Their autonomy in those matters must be realized through commodity and monetary relations and their activities in the market. That is why Ma Er Sai Ni Ji, the Yugoslavian economist, said, "So far self-management cannot be separated from the market and the commodity economy."

Yugoslavia stresses that a socialist economy is still a commodity economy and that as basic units in a socialist self-managed system, joint labor organizations can only interact with one another through commodity and monetary relations and not administrative orders from the state. For this reason, it takes the market very seriously. Since it began worker self-management in the 1950's, Yugoslavia has abandoned centralized state planning in favor of social planning. Under social planning, the state first puts forward a basic proportionate relationship and sets a direction. Joint labor organizations will then work out their own self-management plans through consultation at all levels in the light of market demand. In general, therefore, market determines planning. Since the 1970's, Yugoslavia has made much of the need to strengthen social planning as a guide and integrate planning guidance with the market. But as Yugoslavia's social planning only stresses democratic consultation, and as the consultation process is problemridden, social planning is not an effective guide in the overall complex of social economic activities.

Yugoslavia advocates horizontal economic interactions in the sense that it emphasizes that a socialist economy is a commodity economy. On the other hand, social planning as a guide has been weakened and the necessary degree of centralization is nonexistent. The inevitable result is that the various republics have resorted to empire-building and sealed off their own markets to the detriment of inter-enterprise horizontal economic intercourse.

Hungary holds that a socialist economy is essentially a planned economy and that the goal of economic reform is not to abolish the planned economy as such but to make the planned economy more effective. Hence the need to combine planned management with the positive functions of the market. Theoretically, Hungarian economists argue, a socialist society can organize its social economy in two ways, ie., on the basis of a natural economy or a commodity economy. In reality, however, the only period in which human society practiced a natural economy was during the age of the primitive commune. In a socialist society, commodity relations exist not only between the state and collectives, between the state and individuals, and in foreign trade, but also between the various units in the state. They suggest, therefore, that commodity and monetary relations are no longer the remnants of capitalism, but an integral part of the socialist mode of production. As pointed out in the book, "Socialist Political Economy," edited by An Dao Er, "Socialist production must be planned commodity production. But it is also genuine commodity production." Hungary rejects both the erroneous viewpoint that belittles the value of commodity relations and the idealization of the function of the law of value and the market.

Hungary upholds economic planning, but refuses to equate economic planning with command planning. They allow a variety of approaches to planned development. Command planning undermines the positive role of commodity and monetary relations, stifles the initiative and enthusiasm of enterprises, prevents them from using human, material, and financial resources in the shrewdest way, leads to the divorce between production and demand, impedes technical progress, militates against the improvement of economic efficiency, and is incompatible with the demand that the overall national economy shift from extensive to intensive operations and the need to expand international trade. It is exactly this realization that prompted the Hungarian government to do away with command planning following the 1968 reform and adopt a planning system that combines economic and administrative mechanisms, while giving pride of place to the former. Thus was born a system with dual--vertical and horizontal--dependency.

3. Varying interpretations of the economic functions of a socialist nation.
The traditional Soviet view of the economic functions of a socialist state is that in a socialist society, as the domestic exploiting class disappears, the suppressive function of the state gradually recedes while its economic function expands and strengthens by the day. As production becomes more socialized and more and more economic activities are planned, the need arises for the state, the organizer and commander of social production, to play an economic role to ensure that economic activities are conducted in accordance

with the wishes of the central government. Guided by this theory, the Soviet bureaucracy has for years assumed responsibility for and exercised direct control over all economic activities, microeconomic as well as macroeconomic, ranging from the important, such as 10 to 20-year long-range state planning to the trivial, including the day-to-day production, supply, and marketing activities of enterprises. The result is vertical enterprise dependency on the state.

Since it began reforming its economic system in the 1950's, Yugoslavia was the first to dissent from this traditional view. As the Yugoslavians see it, what the teachers of proletarian revolution said about the withering away of the state applies to the socialist stage as well as the period after the achievement of communism. As Marx said, the state "will gradually wither away." Yugoslavia also proposed that in a socialist society, the economic, cultural, and educational functions of the state are the first to wither away. In suggesting that the economic function of the state will wither away, the Yugoslavians do not mean that the economic function itself should be abolished, but that it should gradually be turned over to direct producers who should run the enterprises and the entire social economic life. Yugoslavia contends that the withering away of the state and its economic function is a gradual, long-term, yet spontaneous, process. And worker self-management is exactly the embodiment of this spontaneous phenomenon. Yugoslavia claims that emphasizing the withering away of the state does not imply a denial of the function of the state at the present stage. Since the economic reform of the mid-1960's, however, as the power of the federal government was continuously decentralized, the federal functions were whittled down to the extent that the necessary centralization is absent. Instead, sectionalism and nationalism have grown increasingly rampant and many difficulties and problems have surfaced in economic life. Since the 1970's, Yugoslavia has been playing up the function of the state. Ka De Er said, "We should dispel the illusion that at our current level of productive forces, self-management can solve on its own unaided by mandatory state mechanisms all the problems related to the economic development of our society, the distribution of social product, the leading role of the working class, and the equality of workers." As economic difficulties mounted in the 1980's, Yugoslavia has again stressed the need to strengthen the state function. In a letter in late 1984 to the Yugoslavian federal parliament outlining the economic situation in 1985, the Yugoslavian federal presidium said, "Emasculating the functions of the state explicitly conferred on it by the constitution and laws has brought about and will bring about adverse social consequences. Consequently, the institutionalization, quality, and efficiency of state organs should be enhanced and functions constitutionally and statutorily reserved for the state organs strengthened."

In Hungary, the planned development of the national economy is thought to require society's spontaneous, centralized management. Centralized management means more than bringing together various interests and coordinating, supervising, and regulating all economic processes in a society-wide context. It also means the passage of laws and the adoption of other compulsory administrative measures if necessary to effect economic activities consistent with socialist social interests. At the present stage of development, only socialist nations can carry out this kind of centralized management. Hungary holds that a socialist state does not intervene in economic life from the outside but appears as the owner of the bulk of the means of production.

By and large, reforms in Hungary have reduced direct state intervention in enterprises. To the Hungarians, however, reform does not mean paring down to the minimum the functions of state agencies in economic work. It does mean requiring the state agencies to replace formalistic and bureaucratic functions with those that effectively influence the economy. Since it began reform, Hungary has also changed the methods whereby the state manages the economy. Instead of stressing administrative tools, as in the past, it has now let economic mechanisms take center stage, without, however, rejecting or excluding the former.

III. The Soviet, Yugoslavian, and Hungarian models differ from one another, but common to all three is the underdevelopment of horizontal economic interactions. This problem has different causes in different nations and require different solutions.

The present Soviet economic system is characterized by excessive vertical administrative dependency and too little horizontal economic cooperation. If this state of affairs remains unchanged, the Soviet economy cannot make much headway. Remedies have been and will be proposed, such as those intended to improve the effectiveness of centralized economic leadership and broaden the functions of the state in realizing the party's basic strategic economic objectives, determining the rate and proportions of economic growth and the balance of the national economy. But there should be concurrent efforts to end the intervention by the central government in the activities of subordinate economic agencies, firmly widen the scope in which joint companies and enterprises can exercise their autonomy, and increase their responsibility for achieving the optimal final results. Accordingly, companies and enterprises must adopt economic accounting, raise their own funds and be responsible for their losses and profits so that how much a collectives earns depends on how efficient it is. If economic agencies at all levels are to shift to economic methods of leadership, the supply of materials and technology must be improved. (The wholesale of means of production must be developed.) The price, appropriations, and credit systems must be perfected and effective anti-waste policies and incentives instituted. (Prices should be made more flexible. Price levels should be related not only to consumption, but also to the quality and performance of a product and the supply-demand factor.) Limited prices and contractual prices should be used more effectively. The aim of all this is to ensure that as centralized state leadership is strengthened, administrative intervention in the economic activities of enterprises is reduced, enterprise autonomy is increased, and inter-enterprise horizontal economic interactions are promoted. In order that economic reform can be carried out successfully, Gorbachev has suggested that some theoretical viewpoints and concepts be reexamined afresh. At stake is a number of critical issues, such as the interactions between productive forces and production relations, socialist ownership, the economic forms for realizing such ownership, commodity and monetary relations, and the integration of centralization with enterprise autonomy. If all the measures proposed by Gorbachev in his political report to the 27th Congress of the Communist Party of the Soviet Union are implemented and if the Soviet Union manages to free itself from the straitjacket of traditional ideology, then the vertical administrative dependency relations in the Soviet economic system will diminish and horizontal cooperation will intensify.

In the self-managed economic system in Yugoslavia, the lack of horizontal guidance, cooperation, and supervision, ie., the necessary centralization, has resulted in local separatism and undermined the unified national market and hence inter-enterprise horizontal economic interactions. The solution, therefore, is to strengthen the necessary federal centralization, reverse the trend toward local decentralization, and establish a nationwide unified socialist market. To overcome economic difficulties, Yugoslavia has in recent years stepped up state intervention in economic life and is planning to further reform the planning, price, distribution, and banking systems, among other things. Under new planning legislation, social planning will no longer be a mere declaration of intent or a collection of plans from various sectors, as in the past, but a strategic blueprint steering the development of the entire economy. Under the new banking law, the People's Bank of Yugoslavia will play an expanded leadership role in finance, banking, credit, and so on, including supervision over investments and the international balance of payments. Seeking truth from realities, comrades in Yugoslavia have also conducted critical research and come to the general conclusion that the "most crucial" and "most profound" factor for "economic chaos" was "multi-centered centralism." Motivated by localism and sectionalism, the republics and autonomous provinces have carried their independence and autonomy to excess, isolating themselves from and keeping one another out. As a result, the unity of the market and the organic integrity of the economy have suffered. Limited and expedient economic measures alone will not alter this situation. What is needed is urgent reforms in the sociopolitical and economic systems.

As the famous Hungarian economist Ke Er Nei has pointed out, horizontal interactions among Hungarian enterprises are too tenuous while vertical control is overly restrictive. In Ke Er Nei's view, the solution is to consolidate inter-enterprise horizontal interactions and reduce to a minimum the vertical connections so that enterprises can gear themselves to the market and adapt to market demand as much as possible. Clearly the central government must plan and even tighten its grip on some macroeconomic issues, but the economist advises against intervening in microeconomic activities administratively and advocates an economy more oriented toward the market.

To sum up, the issues of developing horizontal economic interactions and correctly handling horizontal and vertical relations occurred in economic reforms in the Soviet Union and various Eastern European nations. The so-called horizontal interactions refer to the division of labor and cooperation between the various production units in socialized mass production. Since socialist production is still a kind of commodity production and since the various production units remain independent or relatively independent commodity producers and operators, their division of labor and cooperation remain a form of commodity production and commodity exchange relations, which is mutually beneficial yet competitive and is based on the public ownership of the means of production. The more developed these economic relations, the greater their capacity for promoting socialist economic development. Vertical relations refer to the relations between state administrative agencies and economic organizations at all levels. This kind of relations can be subdivided into two groups; first, direct administrative subordinate relations, ie., relations between the controller and the controlled, or between those who issue orders and those who obey orders; second, relations between the guide and the guided, between the supervisor and the supervised. The former is effected through direct administrative intervention in economic activities. The latter is effected through policies and principles, economic planning, economic, legal, and the necessary administrative tools. The economic reform experience of the Soviet Union and various Eastern European nations makes it clear that exclusive emphasis on horizontal economic interactions in the absence of such essential vertical intercourse as guidance, coordination, and supervision makes for shortsighted and chaotic economic decision-making. On the other hand, if we preoccupy ourselves with vertical intercourse, particularly the use of administrative mechanisms to intervene in the activities of economic organizations, our economic work will be marred by commandism and the issue of misguided, arbitrary orders to the detriment of the economy. As a result, both vertical and horizontal intercourse are necessary and we must combine the two organically. How? Strengthen the guidance of vertical intercourse on the basis of sound horizontal economic relations and make sure that horizontal economic interactions can proceed smoothly under the guidance of vertical intercourse.

12581
CSO: 4006/1199

PUBLICATIONS

BRIEFS

BRANCH ESTABLISHED IN JILIN--The Jilin branch of DONGBEI JINGJI BAO was officially established in Changchun on 4 August. Leading comrades of the Jilin Provincial Party Committee, People's Congress Standing Committee, People's Government, and CPPCC Committee attended the inaugural meeting. Liu Jingzhi, chairman of the Jilin Provincial CPPCC Committee and adviser to DONGBEI JINGJI BAO, attended to extend congratulations and delivered a speech. Li Mo, deputy secretary general of the Jilin Provincial Government and vice president of DONGBEI JINGJI GAO, also attended and spoke. Others attending to extend congratulations were responsible comrades of the Jilin Branch of the XINHUA NEWS AGENCY, JILIN RIBAO, the Jilin Broadcasting Station, CHANGCHUN RIBAO, and the DISAN CHANYE BAO [THE TERTIARY PAPER[[Text] [Shenyang DONGBEI JINGJI BAO in Chinese No 71, 9 Aug 86 p 1 SK] /12624

CSO: 4006/65

HONG KONG

JULY RETAIL SALES UP 7 PERCENT OVER 1985

HK030319 Hong Kong HONG KONG STANDARD in English 3 Oct 86 BUSINESS STANDARD p 1

[Text] The value of total retail sales in July 1986 -- provisionally estimated at $5,352 million -- was 7 percent higher than in July 1985, whille volume was 3 percent higher.

According to the results of a survey released yesterday by the Census and Statistics Department, compared with July 1985, retail sales of motor vehicles and parts increased substantially in value.

But they rose only moderately in volume -- reflecting the effects of the depreciation of Hong Kong dollar against currencies of Japan and West Germany, which are Hong Kong's major suppliers of motor vehicles.

Retail sales of clothing and footwear increased by 22 percent in value and 15 percent in volume. Consumer durables also went up by 13 percent in sales value and 4 percent in sales volume.

Retail sales of foodstuffs alcohol drinks and tobacco rose by 4 percent in value and 1 percent in volume.

Fuels, on the other hand, went down by 14 percent in sales value but experienced a slight 2 percent increase in volume.

Comparing the three month period May-July 1986 with the same period in 1985, total retail sales increased by 5 percent in value.

Retail sales of clothing and footwear showed increases of 20 percent in value and 13 percent in volume.

Fuels dropped by 15 percent in sales value but registered almost no change in volume. Retail sales of motor vehicles and parts recorded a considerable increase in value but a slight increase in volume.

/12624
CSO: 4020/24

HONG KONG

BRIEFS

HONG KONG STOCK MARKET BOOSTED--Hong Kong, 2 Oct (XINHUA)--A major property transaction of 1,425 million Hong Kong dollars (about 182.69 million U.S. dollars) announced this morning has boosted the local market to a new height. The Hang Seng index closed at 2120.14 this afternoon, 29.9 points up compared with yesterday's closing, and the turnover reached 1,379 million Hong Kong dollars (176.8 million U.S. dollars). The average daily turnover was only 586 million Hong Kong dollars (75.12 million U.S. dollars) last week after a 58 percent jump over the week before. The Hong Kong Land Property Company Ltd. and the Bond Corporation of Western Australia jointly announced this morning that Hong Kond land property has agreed to sell the bulk of its residential portfolio to an affiliate of the Bond Corporation. It is the biggest residential property transaction ever recorded in Hong Kong, according to a spokesman for Hong Kong land. The sale involves 407 individual units in some 20 prime residential developments and their owning companies. A spokesman for the Bond Corporation said: "This substantial investment is an indication of the confidence Bond Corporation has in the future of Hong Kong and is in line with the company's strategy of expanding its operations internationally." [Text] [Beijing XINHUA in English 1509 GMT 2 Oct 86 OW]
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JPRS-CEA-86-119

19 NOVEMBER 1986

China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

XUE MUQIAO EVALUATES OPEN POLICY RESULTS, OUTLINES FUTURE TASKS

Shanghai SHIJIE JINGJI DAOBAO in Chinese 8 Sep 86 p 2

[Speech by Xue Muqiao [5641 2550 2890] at the Research Conference on the Open Coastal Cities: "Xue Muqiao Discusses Opening to the Outside World"; the first three paragraphs are source-supplied highlights of the speech]

[Text] We have accomplished much since we started opening up to the outside world. We have, however, made two big mistakes. One was in 1978 when we simultaneously imported and began construction on 22 major construction projects. Another time was when we loss control over our foreign exchange from the latter half of 1984 to the first half of 1985.

There are two kinds of loss of control: one kind comes from high-level leadership; the other kind is at the local level. It is unfair to make localities responsible no matter what the situation.

In the next two to three years we should absorb and make use of already imported technology and equipment and achieve results from them; turn enterprises which consume foreign exchange into ones which earn foreign exchange. We hope that the open areas will be the forerunners of technical innovation and system reform and lead the nation.

The policies of opening up to the outside world and vitalizing the domestic economy have yielded substantial results. During the past six years economic growth has been very rapid in the SEZ's, open cities, and open areas. Of course opening up has brought with it many new problems and there have been a few mistakes, but this is hard to avoid when you try something new.

Most people believe that the policy of opening up to the outside world is a correct one. But people have different views on how many mistakes have been made during the opening up. Mistakes are unavoidable when you try something new. We must strive to avoid mistakes, especially large ones. There are two kinds of mistakes. One originates with leadership in higher organs. Another is committed by localities themselves. It is unfair to make localities responsible no matter what the situation.

In my opinion, we have already made two major mistakes since opening up to the outside. The first was in 1978 when we imported 22 major projects. This was the decision of central government departments. We clearly were not capable of starting so many major projects at the same time. We therefore had no choice but to delay several projects for several years. Now these projects have for the most part been absorbed.

The second time we lost control was during the period from the latter half of 1984 to the first half of 1985. Because banks lost control of credit and management of foreign exchange was out of control, many areas, enterprises, and even individuals collected funds, bought and sold foreign exchange like mad, and imported large numbers of cars, home electrical appliances, and other foreign products. At the same time, production lines and assembly lines for color televisions, refrigerators, and automobiles were imported, and all at once thousands of fly-by-night companies were formed. As soon as credit and foreign exchange were reined in, a majority of these companies went broke. Getting rid of these companies was a good thing; there was nothing wrong with it. I feel that we could not have long sustained the overheating caused by loss of macroeconomic control two years ago. We had to have a cooling-off period in order to bring under control those aspects of the economy over which we had lost control. Only in this way could we return to a healthy economy and prosperous situation and have an optimistic outlook.

Within the next two to three years, we must strive to bring down the production inflation caused by this loss of control. For example, China has more than 100 color television assembly lines completed or under construction, most of which have been imported. Most of the spare parts and components used in these assembly lines must be imported from overseas, and they cost more foreign exchange than buying the assembly line itself. Currently there are already some completed assembly lines which either must reduce or stop production because they lack the foreign exchange to import spare parts and components. When all assembly lines are completed, their output will be much higher than the domestic demand. Whether or not the surplus products can break into foreign markets depends on the quality of our products and whether our costs are competitive. In order to absorb the 100-plus assembly lines, we must manufacture spare parts and components and open up foreign markets; in my view, this won't be easy and it is possible that some enterprises will have to make adjustments and reorganize. We must never again mindlessly expand production. Factories producing refrigerators and other household electrical appliances and automobile plants face a similar situation. For the next two to three years, we must not again crave the importation of such factories. We must first absorb, make use of, and achieve benefits from technology and equipment already imported. We must raise our own technical level, our standards for management and administration, and convert enterprises which consume foreign exchange into ones which earn foreign exchange.

Open areas should of course continue to import advanced technology. After importing, however, they should manufacture their own spare parts and components, and then go on to manufacture the entire machine. Open areas are in frontline positions, sites of import and export, and have the responsibility of importing advanced technology. After the technology has been absorbed, these areas should transfer the technology to the rest of the country. The central government is now promoting the development of lateral links between coastal areas and central and western areas, and the use of advanced technology acquired from foreign countries to propel the backward areas. In the past couple of years, many lateral links have been forged and as the central and western parts of the country have developed, they have been able to supply the coastal areas in the southeast with raw and processed materials used in processing industries. They have also been able to establish bases for the production of many kinds of exports and earn even more foreign exchange, thereby accelerating economic growth in both the open areas and the interior.

Opening up and reform are integrally related; open areas must be the forerunners of reform, especially Chinese-foreign joint ventures and jointly-managed ventures. It will be difficult to run these ventures smoothly if the "big rice pots" where enterprises receive equal recompense from the state and workers receive equal recompense from the enterprise are preserved. The central government has given even greater powers of self-management to the open areas, especially the SEZ's, so that they will dare to be vanguards in reform, serve as models, and gradually disseminate their experiences throughout China. The system of "eating from the big rice pot", which has been proven to be a failure, absolutely must not be transferred to the open areas. New enterprises and new open areas should use new methods. They must carry out reform at a quicker pace than is being done in the interior. I hope that they will be the forerunners of technical innovation and system reform, and lead the way for the entire country.

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LIAONING REPORT ON FULFILLMENT OF ECONOMIC PLAN

SK010118 Shenyang LIAONING RIBAO in Chinese 17 Sep 86 p 2

["Excerpts" of report on implementation of Liaoning Province's national economic and social development plan during the January-August 1986 period delivered by Zhu Jiazhen, vice governor of the province and chairman of the provincial Planning and Economic Commission, at the 22nd Standing Committee meeting of the 6th Provincial People's Congress on 16 September]

[Text] Fellow Standing Committee Members:

Entrusted by the provincial People's Government, I now submit to the meeting a report on the implementation of the national economic and social development plan during the January-August 1986 period for examination and discussion.

1. The Implementation of the Plan During the January-August Period

1) The reform of the economic structure was deeply carried out under the guidance of the principle of "consolidation, assimilation, supplement, and improvement." A series of measures for enlivening the enterprises set forth by the State Council and the provincial government are being implemented. Various forms of the economic responsibility system have been further consolidated and perfected. In particular, great development has been made in lateral economic cooperation. The province also gained some experiences in carrying out the factory head responsibility system, the system of inviting specialized and technological personnel, the law of enterprise bankruptcy, the system of buying shares, and the lease system. New progress has been made in reform in the circulation field. The marketing of production means was brisk. New progress also has been made in carrying out the overall urban reform on a trial basis, and strengthening and improving macroeconomic control. At present, the province is making preparations for reforming the political and labor systems.

2) Industrial production increased under the situation in which faster development was made in industrial production last year. In the first eight months of this year, the province's industrial output value was 45.74 billion yuan (not including the output value realized by the industry at or below the village level and by the urban individual industrial enterprises), an increase of 4.4 percent over the corresponding period of last year. The special characteristics of industrial production during the January-August period were

as follows: First, the increase in light industrial production was higher than that in heavy industrial production. Second, the industrial production tended to increase from May. Thus, the increase in the latter four months was higher than that in the first four months on the average. Third, the output of major industrial products, major raw materials, and energy products steadily increased; and the output of light industrial products in short supply and the output value realized by town and township industry increased by a big margin. Fourth, the quality of key products remained considerably stable. However, a tendency emerged in which some products were not up to standard through selective examination due to the fact that the production enterprises had blindly pursued output value to the neglect of product quality. The situation of safety in industrial production was considerably good. The mortality rate was reduced by 2.81 percent from the corresponding period of last year.

3) The structure of crops tended to be reasonable. New development was made in diversified economy. Agricultural production was restored in a faster manner. The crop sown areas reached 54.822 million mu, a drop of 1.4 percent from last year. The grain and soybean sown areas reached 45.52 million mu, an increase of 5 percent over the same period of last year. Cash crop growing areas were reduced by 34.8 percent (most were peanuts and cotton). The province planted 56 million fruit trees this year and overfulfilled the spring afforestation plan. The number of draft animals and sheep in stock increased. The peasants' enthusiasm for raising hogs was dampened due to the fact that they would gain fewer benefits from raising hogs because the prices of pig feed went up. Thus, the production of hogs was reduced. Faster progress was made in the rural industry. In the first eight months of this year, the output value realized by the rural industry reached 5.69 billion yuan, an increase of 27.8 percent over the same period of last year.

4) The scale of investment in fixed assets was brought under control. The investment structure was readjusted. Returns on investment increased. During the January-August period, investment in capital construction among state units reached 2.83 billion yuan, an increase of 10.9 percent over the same period of last year and lower than the increase rate of 60 percent registered in the January-August period of last year. Of this, investment in local projects was 1.38 billion yuan, an increase of 11 percent over the same period of last year and much lower than the increase rate of 142.9 percent registered in the same period of last year. Investment in productive projects increased by 22.6 percent over the same period of last year. The proportion of [word indistinct] in productive projects accounted for 55.5 percent of the total investment. The construction of key projects made fast progress. [Word indistinct] the situation from fulfilling the plan, amounts of investment in various fields, and returns on investment, the province has attained the requirements for readjusting the investment structure to ensure the construction of key projects.

5) Financial revenue showed a slight increase and the banking situation was fairly good. During the January-August period, the province's local financial revenue totaled 6.43 billion yuan, which was 646.6 percent of the annual budget, showing an increase of 1.9 percent over the same period of last year. Deducting such special funds as fees for discharging pollutants, urban

facilities maintenance taxes, and collective enterprises' bonus taxes, the revenue covered by the local financial contracting system stood at 5.99 billion yuan, which was 63.8 percent of the annual budget, showing an increase of 0.2 percent over the same period of last year. The province's financial expenditures came to 4.35 billion yuan, accounting for 56.1 percent of the annual budget and showing an increase of 27.7 percent over the same period of last year.

By the end of August, the various kinds of bank savings reached 23.94 billion yuan, an increase of 1.76 billion yuan over the beginning of the year. Savings deposits of urban and rural residents totaled 12.83 billion yuan, an increase of 2.74 billion yuan or 27.1 percent over the beginning of this year. The various categories of bank loans came to 37.65 billion yuan, an increase of 3.16 billion yuan over the beginning of this year. The banks' withdrawal of currency from circulation showed an increase of 430 million yuan over the corresponding period of last year.

6) Local foreign trade showed a sustained increase, and new progress was made in utilizing foreign capital to import technology. By the end of August, the province's export commodity purchase volume came to 3.68 billion yuan, which was 77.5 percent of the annual plan, showing an increase of 57.9 percent over the same period of last year. Exports through ports totaled $2.03 billion, accounting for 43.7 percent of the annual plan. About 37 technological items were imported in the first half of this year, and a total of $220 million of foreign funds were used, showing a two fold increase over the corresponding period of last year.

7) Urban and rural markets were brisk and the trend of commodity price increases was alleviated. The supply situation of most industrial consumer goods and nonstaple foodstuffs was better than that of last year. During the January-August period, the province's total retail sales of commodities came to 16.25 billion yuan, an increase of 9.1 percent over the same period of last year. Of this, the retail sales of consumer goods reached 13.72 billion yuan, an increase of 10.3 percent. The transaction volume of urban and ural trade fairs came to 1.98 billion yuan, up 24.3 percent over the same period of last year. The increase in the price index of retail sales dropped monthly. The increase dropped from 8.1 percent in January to 3.1 percent in May. The average increase in the first half of the year was stabilized at 6 percent, which was lower than the state-controlled target and the province's increase in the price index of retail sales of last year.

8) New achievements were made in building the spiritual civilization. All localities across the province maintained close links with the practice of reform, conducted education on the basic Marxist theories, focused attention on solving the problems which the people were much concerned about [word indistinct] conducted education on ideals, situation, and discipline. All levels, from the higher to the lower, strengthened that ideological and political work, and carried out intensive activities on "five stresses, four beauties, and three ardent-love," and various propaganda and educational activities concerning the legal system. Very good achievements were scored and the people's initiative in observing discipline and law was greatly boosted. The general mood of society remarkably improved.

2. The Major Work of the Past Few Months

1) We implemented various economic policies, and checked the trend of vacillation and the adoption of a wait-and-see attitude that had emerged in reform. In the first five months of this year, our province's industrial production only showed an increase of 3.4 percent over the same period of last year. The main reason for the low rate of development of industrial production was that we failed to fully understand the changes that could occur in the province's industrial production owing to state macroeconomic control and the practice of narrowing the scope of investment in fixed assets, and we were not mentally prepared for this. We slackened our efforts in the beginning of the year. Some of the economic policies were not implemented well. We failed to free ourselves from the shackles of the ideology of the product economy while formulating guidelines for our economic work and business guidelines for enterprises. Our ability to cope with the changes was comparatively weak; the production structure was not coordinated with the changes in the consumption structure; and the contradictions in the commodity structure were fairly prominent. In view of the problems in industrial production, the Provincial Party Committee and Government held meetings of City Party Committee secretaries and city mayors in May and July respectively to clearly define economic policy bounds between invigorating enterprises and correcting unhealthy trends, and to formulate and issue some economic policies on invigorating enterprises continuously, thus deepening the development of the economic structural reform and the improvement of the economic situation.

2) We solved enterprises' problem of capital shortage. Earlier this year, about 85 percent of the enterprises throughout the province were affected by a shortage of funds. Efforts to alleviate enterprises' strained funds began in late February with the support of the people's bank and the industrial and commercial bank. First of all, the loans enterprises within the province owed each other were taken stock of, and loans extended to enterprises increased by 320 million yuan. By the end of April, the loans enterprises owed each other had dropped from the peak 2.8 billion yuan to 2.08 billion yuan. Beginning in June, we took stock of the loans the three northeast China provinces and Nei Monggol woed each other, and some 200 million yuan of loans were resolved in the initial stage. In addition, we exerted great efforts to organize savings deposits to support enterprises to develop production, issued 200 million yuan of bonds to ease the shortage of funds for technical transformation, and collected funds from various quarters, such as borrowing loans from large enterprises, to strengthen construction of the power industry.

3) We took stock of the capital construction and technical transformation projects under construction. In the first half of this year, capital construction investment of state-owned units reached 670 million yuan, showing an 89 percent increase over the same period of last year. Recently, the provincial Planning and Economic Commission transmitted a circular of the State Economic Commission "on organizing and inspecting this year's scale of investment in fixed assets, and taking stock of the projects under construction," and worked out plans for various cities and provincial departments to conscientiously straighten things out with regard to the capital construction and technical transformation projects under construction. This work was led by the Planning and Economic Commission, and was

participated in by financial, banking, statistical and auditing units. An office was established to take stock of the projects under construction. In addition, a system to have administrative leaders of various localities and departments hold responsibility was enforced to strengthen supervision and inspection. The work will be completed by the end of October.

4) We paid attention to repairing the works damaged by floods, and carrying out antiflood and emergency rescue work. Before the flooding season, all localities made preparations mentally and with materials and projects against serious floods. Throughout the province more than 15,000 works, or 82.7 percent of the total, damaged by floods were repaired. Embankment along the trunk stream of Liao He was also repaired and reinforced. During the flooding season, leading comrades at all levels went to the forefront to lead the gigantic antiflood contingents in fighting bravely. Throughout the province 20,000 PLA commanders and fighters took part in the battle, making significant contributions to our province's [words indistinct] emergency rescue work. Thanks to the arduous efforts of the party, the government, the army and the people, none of the embankment of the major rivers of the province was breached, hence a decisive victory in the antiflood and emergency rescue struggle.

5) We paid attention to increasing revenues. After the preliminary budget was decided on, 300 million yuan less than the budgetary revenue was collected due to the influence of factors for reducing revenues. At some enterprises, the economic results were not ideal enough, product cost surpassed fixed production spendings, and deficits increased. In order to change such a situation, at the mid-July meeting of City Party Committee secretaries and mayors, efforts were urged to properly handle the relationship between quantity and quality, and between growth rate and economic results in industrial production, to give the highest priority to improving product quality and economic results, and to conscientiously improve enterprise management; and all enterprises were urged to regard the work to lower consumption, reduce losses and waste, stop deficits and increase profits as the focal point of strengthening and improving management, and carry it out earnestly. It also called on relevant provincial departments to go down to the grassroots to help solve problems of key localities and trades. Through the efforts of a period of time, certain results have been achieved as judged from the present situation.

In addition, in the first half of this year, we concentratively grasped the work of developing areas in the eastern, western, and northern parts of the province. Though accelerating the development and construction of these areas, we can provide not only sufficient energy resources and raw materials for transforming and vitalizing the province's old industrial bases but also sufficient labor forces and wide markets for developing the commodity economy. This is of decisive and strategic significance for stabilizing the overall grain production situation, accelerating the pace of helping impoverished areas to eliminate poverty and seek wealth, facilitating a coordinated economic development, successfully fulfilling the Seventh 5-Year Plan, attaining the grand goal of realizing an economic takeoff in the later 10 years, and realizing the grand goal by the end of this century. Therefore, last April, we organized more than 400 cadres from the provincial-level organs to conduct investigations and study among Fushun, Benxi, Dandong, Jinzhou, Chaoyang, Fuxin, and Tieling Cities; the counties under the jurisdiction of these cities; and some rural areas. From late July to early August, we also held on-the-spot work conferences in Fuxin, Chaoyang, Tieling, and Fushun Cities successively. The conference preliminarily studied and defined the guiding ideology, fighting goals, tasks, and policy measures for developing and constructing areas in the eastern, and northern parts of the province. At present, the provincial government plans to transfer more than 1,000 office workers and personnel of relevant departments to the grassroots areas in late September to give instructions to their work.

The Major Tasks and Measures for the Coming Four Months

From now on, the vast number of cadres and the people throughout the province should be inspired with enthusiasm to eliminate difficulties, make efforts to fulfill this year's national economic and social development plan, create a relaxed environment for reform, and lay a good foundation for realizing the Seventh 5-Year Plan. The major measures which we should adopt in the next four months are as follows:

1) We should implement the policies on reform and further strengthen the vitality of enterprises. First, we should continue to delegate decisionmaking power to the enterprises; and the departments in charge of enterprises' affairs, supply departments at all levels, and the companies for marketing various goods and materials must purchase by force from the enterprises products in short supply and products whose marketing is dominated by the enterprises themselves. Second, we should resolutely implement economic policies on enlivening the enterprises, persistently carry out the policies on reducing taxes and obtaining profits set forth in the past, continue to relax policy restrictions to vigorously develop lateral cooperation, and encourage the enterprises to set up new-type enterprise groups. Third, we should resolutely stop, comprehensively eliminate, and conscientiously straighten out the practices of arbitrarily apportioning expenses from the enterprises. Fourth, we should firmly grasp weak links, attach importance to enlivening collective and war industrial enterprises, and make efforts to grasp the development of tertiary industry. Fifth, we should achieve enterprise reforms; carefully organize state enterprises to carry out the four regulations on implementing the labor contracted system, the reform of the system of recruiting workers, the system of dismissing staff members and workers in violation of discipline, and the system of granting insurance to job-waiting staff members and workers; further carry out and perfect the factory head responsibility system; and sum up Shenyang City's experiences in carrying out the enterprise share system, the lease system, and the bankruptcy law on a trail basis in an effort to make new progress in the province's economic restructuring.

2) On the premise of making efforts for economic results, industrial enterprises should appropriately make development. First, they should enhance the work of marketing finished products and make great efforts to send industrial products to the rural areas. The province should make efforts to reduce 50 percent of the newly added finished products in stock by the end of this year. We should adopt essential economic and administrative means to

close, suspend, merge, and retool the enterprises that fail to change the serious situation of having their products overstocked and notably reducing economic results. Second, we should strive to readjust the industrial structure and the product mix, enthusiastically develop new products, grasp quality and famous-brand products, and enhance the products' competitiveness. We should make efforts to increase the production of products in short supply, support the production of readily marketable products, and control and stop the production of unmarketable products. We should appropriately relax policy restrictions in order to stimulate the production of light and textile products and small commodities. Third, we should strengthen management in order to seek results from management.

We should conscientiously implement the State Council's "decision on some issues of strengthening management over industrial enterprises," lead the enterprises in grasping management and comprehensively upgrading quality, and tap the tremendous hidden potential of enterprises. We should conscientiously implement the "regulations governing the responsibility for the quality of industrial products," issued by the state Council, establish and improve a system to strictly guarantee the quality of products, and link the quality responsibility system with awards for staffs and workers.

3) We should do a good job in increasing revenue and reducing expenditures and strive to achieve a balance in revenue and expenditures. First, we should organize production and circulation well and do a good job in grasping industrial production in particular, and actively open up and create new financial resources while guaranteeing and developing the original financial resources. Second, we should strengthen tax revenue and management work, and organize revenue in a timely manner. Governments at all levels should actively reduce expenditures and achieve a balance in financial revenue and expenditures in all levels of financial departments. We should further invigorate funds, attend to urban and rural savings deposits, and continue to clear up the outstanding debts of enterprises and to solve the problem concerning the irrational appropriation of funds in order to accelerate the turnover of funds.

4) We should concentrate efforts on advancing key projects, and strictly control the scope of investment in capital construction. In the next few months, in principle, we will not approve the construction of new projects. We should be determined to readjust a group of projects that can be canceled or delayed, and guarantee that the state assigned capital construction scope will not be exceeded. It is necessary to readjust the structure of investment, concentrate efforts on grasping the construction of some key capital construction or technological transformation projects that are planned to be completed and commissioned this year, ensure that these projects will go into operation on schedule and yield returns on investment at an early date, and lay a good material foundation for a sustained economic development next year.

5) We should conscientiously carry out autumn harvest, production and self-salvation in the disaster areas, repair projects damaged by floods, strive for a good harvest in a year of serious disasters, and make proper arrangements for the people's livelihood. We should earnestly organize and mobilize the

broad masses of cadres and the people in the rural areas to go into action actively, do a good job in harvesting work, and see to it that all grain is stored in the granaries in an effort to reduce losses and waste. We should also do a good job in storing and marketing vegetables, and ensure vegetable supply this winter and next spring. Meanwhile, we should actively carry out production, and self-salvation in the disaster areas, repair projects damaged by floods, and renovate the medium-sized and small river embankments in the province. It is necessary to properly solve the food, clothing, firewood and housing practical difficulties of the flood victims so that no one will die of hunger, cold or untimely treatment and no blind outflow of flood victims will occur. We should also guarantee smooth progress in next year's spring farming.

6) We should do a good job in purchasing farm and sideline products, and make proper arrangements for urban and rural markets in autumn and winter. We should adopt resolute and effective measures, persist in contract purchases, and the contract system of purchase, marketing and distribution, and guarantee the fulfillment of the grain purchasing task. We should do a good job in organizing the supply of vegetables, pork, mutton, beef, poultry, eggs and nonstaple foodstuffs, strengthen market management and ensure basic stability in commodity prices.

7) We should make preparations for various production and construction work for next year. Next year will be the second year for implementing the "Seventh 5-Year Plan," and a year for continuing and deepening the development of reform. The most important thing to do while preparing for next year's work is to persist in giving top priority to reform, enhance the awareness of reform, and to greet the coming year with an attitude of working creatively. We should do a good job in storing up materials and energy and repairing facilities and strive to make good preparations for various production and construction work for next year at an early date. We should do a good job in predicting and investigating two issues: First, we should study what influence will be exerted on Liaoning's industry, particularly the machinery industry, if the state is to continue its control over the scope of capital construction in terms of the macroeconomy. Second, we should study what influence will be exerted on production, construction and the economic results of enterprises after the issuance of new policies and measures for next year's economic structural reform. We should proceed from macroeconomic prediction and forecasting and production and marketing situation, and adopt measures to cope with the situation at an early date. We should hold all forms of meetings to order products and various exhibition sales, contract the task of placing an order for goods, sign contracts for goods; attend to market work, to order goods, and to make preparations at an early date; and strive to gain initiative in this regard.

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CSO: 4006/75

QINGHAI TO FULFILL ECONOMIC TARGETS IN 1986

HK221330 Xining Qinghai Provincial Service in Mandarin 2330 GMT 16 Oct 86

[Text] A preliminary forecast by the provincial Statistical Bureau shows that this year Qinghai Province is likely to fulfill the economic targets regarding the gross industrial and agricultural output value, the national income, the output of major products, financial revenue and expenditures, the total value of retail sales of commodities, and the commodity price index. The forecast was released by the provincial Statistical Bureau at a press briefing held yesterday. At the press briefing, the responsible comrade of the provincial Statistical Bureau briefed reporters on the progress made by the province in fulfilling major national economic targets from January to September this year. The output of most industrial products that are listed in the statistics and assessment scheme has reached a set target during the period from January to September. Meanwhile. the industrial output value fulfilled by all localities and departments have also been higher than that recorded in the same period of last year, both the set targets for passenger transport volume and freight volume have been fulfilled, and the whole province's investment scale has been kept under control. The investment in the projects aimed at saving energy, developing a wider variety of products, and improving product quality has been guaranteed and increased, and the economic results of investment have been substantially improved. Both pruchasing and marketing are brisk in the commercial markets throughout the province, and the total value of retail sales of commodities has increased by a wide margin over the same period of last year. The whole province's financial revenue has exceeded 200 million yuan and is in a favorable condition.

The province's economic work in the first 3 quarters of this year has some major shortcomings too. The economic results have worsened while the financial losses have increased and exceeded the predicted limit by nearly 6 million yuan. There is a considerable overstock of products which locks up capital totaling 241 million yuan. Among those products which lock up capital, the most noticeable are automobiles, raw coal, and cement. Another major issue is that financial expenditures have soared, aggravating the unfavorable balance between revenue and expenditure. The administrative expenses have increased by over 38 percent over the same period of last year.

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CSO: 4006/81

PROVINCIAL AFFAIRS

SHAANXI REVIEWS PAST ECONOMIC, SOCIAL DEVELOPMENT

HK171021 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 13 Oct 86

[Excerpts] On 14 October, the provincial government held a press briefing, in which it announced the province's 10 great economic and social achievements made during the past decade after cracking down on the gang of four, particularly following the 3d plenary session of the 11th CPC Central Committee. These 10 great achievements are:

First, the province carried out reforms of the economic structure in an in-depth way. The responsibility system links workers' attitude and the results of their labor to their immediate interests, thereby achieving good economic results and social benefits. Between 1977 and the end of 1985, the province's social labor productivity was increased by 50 percent. The gross output value created by each rural laborer was increased by 51 percent. The productivity of industries owned by the whole people was increased by 58 percent. A phenomenon of coexistence of various economic patterns gradually formed in the province.

Second, the national economy developed in a steady, coordinated and continuous way. Compared to 1976, the gross output value of society in 1985 was increased by 1.23 times; while the national revenue was increased by 100 percent.

Third, the rural areas made achievements in readjusting the industrial structure. By the end of 1985, the gross output value of rural areas accounted for 36.5 percent of the gross output value of the province.

Fourth, the province made new achievements in fixed assets investment. A large number of highly technical and highly profitable key projects were completed.

Fifth, a variety of economic and operation patterns, as well as diversified circulation channels and systems that simplify the circulation cycle, have gradually developed. By the end of 1985, the province had more than 2,500 state-run small retail shops, as well as food and service enterprises, that had undergone reforms. Reforms of the rural industrial and communication cooperatives was also carried out on full scale. The rural areas restored the patters of running the business by local people. The collective, joint venture and individual business therefore became brisk, and the market activities were expanded

Sixth, the province developed and utilized the resources of tourism. Over the 10 years, the province received tourists from more than 90 countries and regions. Compared to 1978, the number of tourists in 1985 was increased by 14 times; and the revenue collected from the industry was increased by 22 times.

Seventh, the province has created a new situation in opening up to the outside. In 1984 alone when the first international economic and technological cooperation talks were held, the province signed 140 contracts with foreigners. The sum of investment involved totaled over U.S.$400 million. The number of cooperation and joint economic porjects reached between Shaanxi and other provinces totaled over 7,400 in 1985. The province's economic relations and trade with other areas were also expanded. In 1985, its purchase amount of export commodities totaled 455 million yuan, increased by more than 100 percent compared to 1976.

Eighth, the province invigorated education, as well as science and technology undertakings. Its number of schools and institutions of higher learning was increased and restored from 17 in 1977 to 45 at present.

Ninth, the province scored fruitful successes in cultural and arts areas for the past decade.

Tenth, people's living standards were gradually improved. In 1985, the province's per capita income of peasants totaled 295 yuan, while the average annual wages of workers totaled 1,092 yuan. After price fluctuation adjustment, the annual income of peasants and the average annual wages of workers was respectively increased by 86 and 25 percent. The province's per capita bank savings was increased from 28 yuan in 1978 to 149 yuan in 1985.

The achievements of economic and social development were remarkable. But there are still differences compared to that of lateral development. They include slow improvement and uneven development of the rural economy; a low percentage of marketable rural products, as well as a low level of per capita net income among peasant households and a low level of grain output; poor adaptability and flexibility of industrial and commerical enterprises; slow progress in improving their economic results; shortage of raw materials, and the unchanged tense situation in the demand for transportation means; poor product quality and increased production costs of some enterprises; as well as imperfect utilization of mining and tourist resources. All these issues need to be solved in our future work.

/12232
CSO: 4006/81

ECONOMIC PLANNING

ENTERPRISES TO AIM FOR 7 PERCENT GROWTH

HK100402 Beijing CHINA DAILY in English 10 Oct 86 p 1

[Article by staff reporter Guo Zhongshi]

[Text] Chinese enterprises were yesterday urged to start preparations to guarantee a planned 7-percent growth in total industrial output value next year.

Following the steady development of the national economy in the first three quarters of this year, enterprises and government organizations face new challenges, said Tbin Zhongtang, vice minister of the State Economic Commission, at a telephone conference which linked local government leaders and enterprise directors across the country.

They must increase their working forecasts of demand, find more markets for their products and improve their quality in the next 3 months.

"We must make early arrangements to ensure the availability of energy, raw materials, and foreign currency, boost the production of commodities suited to market demand to enable ourselves to solve the problems that will come from the major steps in structural reform to be taken next year," Lin said.

He asked enterprises to try to fulfill 23 to 24 percent of 1987's total industrial target in the first quarter of the year so as to get a head start for the whole year's production.

Compared with the same period last year, the growth rate over the first 9 months of this year has gone up steadily--4.4 percent for the first quarter, 5.3 percent for the second and 9 percent for the third--inspiring optimism that the year's total industrial output value could reach a growth rate of 7 percent or more, he said.

He said that so far the whole country had realized an industrial output value of 652.1 billion yuan (about $176 billion) with a 6.4 percent annual increase on average over the past few years.

Heavy and light industries have been developing in a coordinated way and their production structure has been well balanced, Lin said. The energy and raw material industries had developed steadily, transport tasks were all fulfilled and difficulties in the supply of coal had been successfully eased.

In the field of agriculture, he said, the summer grain and rice showed an increase of 8 billion jin (4 billion kilograms) in output, cotton output remained basically at last year's level and the whole year's grain output was expected to exceed last year's by 10 billion kilograms.

The total retail turnover by the end of August rose by 13 percent over last year.

Exports increased by 12.2 compared with last year, predicting overfulfilment of the whole year's export target while imports dropped by 3 percent.

"Our achievements have shown that the policies adopted by the central government are correct," he said.

However, he said, problems such as poor management, hold-ups in the distribution of products, high energy consumption and slow pace of product transformation still existed and should be solved in the fourth quarter of this year.

Therefore, enterprises should create necessary conditions for the production increase of goods in short supply while reducing or stopping production of those in excess supply.

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CSO: 4020/30

AGGREGATE ECONOMIC DATA

GUANGDONG INDUSTRIAL PRODUCTION SAID IMPROVED

OW111155 Beijing XINHUA in English 0732 GMT 11 Oct 86

[Text] Guangzhou, 11 Oct (XINHUA)--Industrial production grew and efficiency improved this year in Guangdong Province, a local official said today.

In the third quarter of this year, the industrial output value of the province was nearly 12.7 billion yuan (U.S. $34.3 million), 9.6 percent more than in the same period of 1985.

This brought the total for the first 9 months to almost 37.2 billion yuan (U.S. $10 billion) or 9.9 percent higher than in the corresponding period in 1985.

The output value of light industry went up 12.6 percent while that of heavy industry, 4.7 percent.

About 22.6 percent of the increased output value was turned out by factories in rural areas.

Tax handed over to the state was over 2.8 billion yuan (U.S. $770 million) in the first 9 months, up by 13.8 percent--higher than the increase rate of output value.

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CSO: 4020/30

BRIEFS

GUANGDONG ECONOMIC GROWTH--He Xian, director of the Provincial Planning Commission, reported yesterday to the 22d meeting of the 6th Provincial People's Congress Standing Committee on the execution of the province's economic and social development plan from January to August. By the end of August, total industrial output value was 32.9 billion yuan, an increase of 9.7 percent over the same period last year. Growth was recorded in all 11 main sectors with the exception of electronics, where there was a decline due to a reduction in imports of components and parts. By 10 September, the province had overfulfilled its summer grain procurement quota by 1.6 percent. The phenomenon of a large reduction in the sown area of grain has been initially put under control. The province fulfilled in seven months the task assigned by the central authorities of raising funds for key capital construction projects in energy and communications. By the end of August, 370 million yuan of such funds had been raised. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 25 Sep 86 HK] /12913

CSO: 4006/75

HEBEI ECONOMIC, TECHNOLOGICAL MEETING OPENS

SK261002 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 17 Sep 86

[Text] The second provincial economic and technological cooperation invitational meeting ceremoniously opened at the Bayi Auditorium in the provincial capital on the morning of 17 September.

Leading comrades of the Provincial Party Committee, the Provincial Advisory Commission, the Provincial People's Congress Standing Committee, the Provincial Government, and the Provincial CPPCC Committee, including Xing Chongzhi, Xie Feng, Yang Zejiang, Sun Guozhi, Yin Zhe, Ye Liansong, Hong Yi, Song Shuhua, and Li Feng attended the meeting.

Delegates from the relevant state organs were invited to the meeting to give guidance. More than 1,500 people attended the opening ceremony, including delegations from various fraternal provinces, regions and municipalities throughout the country, various scientific and technological research units, colleges and universities, provincial delegates and responsible comrades of various provincial-level departments and bureaus. Song Shuhua, vice governor, presided over the opening ceremony. Governor Xie Feng addressed the opening ceremony.

Governor Xie Feng first expounded on the purpose and significance of holding the invitational meeting. He said: Through this invitational meeting, we wish to establish firmer economic and technological cooperative relations with the fraternal provinces, regions and municipalities across the country, to actively advance the economic structural reform and the multidirectional, multilayered, and multichannelled lateral economic cooperation in various forms, and to promote economic takeoff and realize common prosperity in a better manner.

More than 200 cooperative projects were proposed at the cooperative invitational meeting, which mainly include the following: Developing cooperation among key plants and ordinary plants which have favorable conditions and produce brand-name and quality products; establishing and developing a number of economic associations and enterprise groups which mainly produce brand-name and quality products with support from key enterprises; developing cooperation in the production spheres by making full use of the natural resources, particularly energy, raw materials in short supply, and the rich natural resources in the mountainous, outlying, coastal, and plateau areas; developing the technological research projects and importing new technology and products; importing necessary technological equipment, new methods and technology and scientifically and technologically competent people to help local medium-sized and small enterprises and township enterprises carry out technological transformation; developing extensive cooperation in the scientific and technological spheres; and coordinatedly developing production and marketing cooperation among the agricultural, industrial and commercial sectors and labor service cooperation.

In his speech, Xie Feng introduced the province's favorable conditions in natural resources, geographical position, communications and power resources, and analyzed the unfavorable conditions in competent persons, funds, and technological equipment. To this end, he sincerely welcomed comrades from various localities and from all walks of life throughout the country to pass on to the province their valuable experiences in developing natural resources and vitalizing the economy.

At the end of his speech, Xie Feng also introduced to the delegates from the various localities across the country the provinces preferential methods in economic cooperation.

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CSO: 4006/75

LIU ZUOHUI ADDRESSES ECONOMIC WORK CONFERENCE

SK120545 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Oct 86

[Excerpts] At a regional economic work telephone conference which was held on the evening of 10 October, Liu Zuohui, vice chairman of the regional government, stressed that all levels throughout the region should work in unison and with one heart and one mind to grasp all economic tasks in the fourth quarter of this year, to fulfill the 1986 national economic plan, and to create favorable conditions for the region's sustained economic development and the realization of the fighting objective of economic quadrupling in 1987.

Comrade Liu Zuohui first introduced the region's economic situation in the past three quarters. He said: Generally speaking, in the past 9 months, the operation of the region's macroeconomy was comparatively normal and the situation was good. They were mainly manifested in the following aspects:

1. Industrial and communications production increased at an appropriate rate. During the January-September period, the region's total industrial output value reached 7,310,580,000 yuan, which was 71.77 percent of the annual plan, showing an increase of 8.59 pecent over the same period of last year, topping the national average level.

2. Serious disasters plagued the agricultural and animal husbandry sectors, bringing great difficulties to the people's production and livelihood. The regional party committee and the people's government paid great attention to this year's disasters, held meetings on several occasions to study the disaster situation and adopted many antidisaster and relief measures in terms of organizing leadership and delivering funds and materials, and thus succeeded in helping the people tide over the most difficult time. At present, the broad masses of people in the rural and pastoral areas enjoy ease of mind and have great enthusiasm for production and development. These are the favorable conditions for making our region's economic work successful this winter and next spring.

3. The urban and rural markets were brisk and the price index was controlled within the limit. The supply of popular goods, high- and medium-grade durable consumer goods, and the means of production for agricultural use continued to increase on the markets to satisfy consumer demand.

4. Financial revenue increased steadily and the situation of expenditures was quite normal.

Comrade Liu Zuohui pointed out: There were some prominent problems in the operation of the region's macroeconomy in the past three quarters, which must arouse the great attention of all localities:

1. The economic results of the industrial enterprises were not good enough; the cost of comparable products increased; the number of money-losing enterprises rose; and the rate of steadily improving the quality of products remained stagnant. The appropriation of funds for producing finished products increased; some products were slow selling and overstocked; and labor productivity stopped.

2. The region's revenue situation was not good and the region's expenditures for administrative funds excessively increased.

3. Investment in fixed assets, particularly in some productive projects increased slightly and investment in nonproductive projects exceeded the budgetary estimate.

After introducing and analyzing the economic situation in the past 9 months of this year, Comrade Liu Zuohui worked out plans for the region's economic work in the fourth quarter. He said: We just have less than 3 months left before ending this year. We have to fulfill all plans for 1986 and lay a good foundation for next year's economic work. Our time is pressing. All leagues, cities, and all departments throughout the region should conscientiously sum up the work experiences in the previous three quarters, examine the fulfillment of various economic targets, clearly understand the main trends, and study the new situation and new problems in line with the specific conditions in their own localities and departments.

In his speech, Liu Zuohui called on all localities to further invigorate the circulation channels, speed up the flow of goods and materials between the urban and rural areas, clear up projects under construction and do a good job in building key projects, invigorate the banking markets, strive to promote production and circulation, and increase revenue and control expenditures. He also called on the various localities to organize forces to rapidly carry out financial, tax, and price check-ups; formulate plans for various localities, trades, and make plans to be carried out during the 7th 5-Year Plan period, as well as plans for 1987; do a better job in economic structural reform; and develop lateral economic cooperation.

Concluding his speech at the telephone conference, Comrade Lui Zuohui stressed: In the course of grasping economic work, all localities should also firmly grasp the building of spiritual civilization, strengthen ideological and political work, take the guidelines of the 6th Plenary Session of the 12th CPC Central Committee as a driving force, enhance the enthusiasm and creative spirit of the people of various nationalities across the region, and work hard to successfully fulfill this year's tasks and to greet the 40th anniversary of the founding of the autonomous region.

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CSO: 4006/70

SHAANXI GOVERNMENT DEMANDS EXPENDITURE CONTROL

HK150747 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 14 Oct 86

[Text] The provincial government issued a circular on 11 October demanding that all localities and departments keep strict control over financial expenditure in the fourth quarter of this year so as to ensure a balance of financial revenue and expenditure of the province. The circular also emphasizes that it is necessary to make great efforts to increase financial revenue; to further invigorate enterprises through conscientious implementation of the policy of delegating decisionmaking power to the lower levels that has been laid down by the central authority, the provincial party committee, and the provincial government; to actively promote lateral economic association; and to strive to fulfill and overfulfill the year's production quotas.

The circular says: In the fourth quarter of this year, all areas and departments must keep their financial expenditure within the quotas laid down by the provincial conference on financial work. They should try their best to cut their expenditure and are absolutely not allowed to spend more money than the prescribed ceiling. Areas and departments that have spent more funds in the first 9 months of the year must make adjustments to curtail their expenditure in accordance with the principle of ensuring supply of funds for key operations while taking the overall situation into consideration, so as to keep the financial expenditure well within the quotas laid down by the provincial authorities.

The circular also makes it a rule that all extrabudgetary capital construction projects must be suspended. From now on, no new capital construction projects shall be allowed to be started at any level. No additional expenditure budget shall be approved except those special funds appropriated by the central authorities and those special expense items approved by the provincial party committee and government. The practices of giving banquets, presenting gifts, and lavishly spending money at the year end are strictly forbidden.

The circular says: We must make up our minds to cut unnecessary expenditure and divert the funds saved to production and disaster relief work that most need funds.

According to another report: In order to strengthen the control over extrabudgetary funds, the provincial government has decided that, as far as the extrabudgetary funds at the disposal of administrative and service units at all levels in the province are concerned, a procedure of depositing extrabudgetary funds in a special account of the relevant financial departments will be implemented on a trial basis, on the condition that the ownership of these funds remains unchanged; and, as far as the extrabudgetary funds at the disposal of state-owned enterprises at all levels and their administrative departments are concerned, a procedure of planned control under the guidance of the relevant policy will be implemented on a trial basis.

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CSO: 4006/70

ECONOMIC MANAGEMENT

SHAANXI REGULATIONS TO HELP ENTERPRISES CUT LOSSES

HK250819 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 25 Sep 86

[Text] The provincial government has adopted measures to help enterprises turn losses into profits. Since the beginning of this year, the province's economic results of industrial porduction have not been satisfactory. Between January and August, the number of loss-incurred budgetary state-run industrial enterprises at various localities increased by 57 compared to the same period last year. Their loss amount was increased by 1.9 times.

In the light of the situation, the provincial government formulated the following regulations:

First, a loss-incurred budgetary state-run enterprise may retain all profits earned within a year if it turns its losses into profits within that year. Profits made in the 2d and 3d years will be partly retained by the enterprise.

Second, if conditions permit, all lcoalities may allocate in advance 1 to 3 years' loss subsidies to enterprises that suffer losses because of producing goods that are in short supply, and help them turn losses into profits. The enterprises should use the subsidies for technological transformation.

Third, small enterprises that suffer losses for 2 consecutive years should be turned to state ownership and run by collectives. They should pay tax delivery according to regulations and be responsible for their own losses and profits.

Fourth, the financial departments shall not make up for enterprises' deficits resulting from poor management or additional projects.

Fifth, the loss-incurred enterprises must take the balance of the previous year's wages expenditure as bonuses for hard-working workers, while punishing the lazy ones, so as to mobilize the workers' initiative.

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CSO: 4006/81

XIZANG MAKES PROGRESS IN URBAN ECONOMIC REFORMS

HK280549 Lhasa Xizang Regional Service in Mandarin 1130 GMT 27 Sep 86

[Excerpt] Urban economic structural reform is continually advancing in Xizang. Centering on invigorating the enterprises, some reforms have been carried out in planning, financial work, prices, taxation, labor, and expansion of enterprise decisionmaking powers, and gratifying achievements have been scored.

Urban economic structural reform in Xizang started in 1984. In the past two years, guided by the principle of opening up to the world and invigorating the domestic economy, the region has allowed and encouraged producers and operators from other parts of China to come into Xizang. Some have set up factories, some have opened shops, and some have joined in various cooperative development undertakings. According to relevant data, production and operational units from outside the region are now running transport, building, commerce, catering, repair, and various service trades in Xizang. They are most prominent in commerce and the service trades. According to statistics, 19 provinces, municipalities, and autonomous regions are running shops, hotels, and other service trades in the region. Some 200 units are engaged in joint operations with Xizang units or are operating independently. Some 15,000 individual entrepreneurs are operating. All this has changed the past situation of lack of lively markets in Xizang.

Within the region, the focus in urban economic structural reform has been on developing collective and individual economy. The forms of ownership in some trades have been readjusted. As a result, collective and individual economy have developed rapidly. According to statistics of the end of last year, the region has 32,000 collective and individual commercial and service trade networks and points, an increase of 13 times over 1980.

In the reforms of the price system and price control setup, the region has lifted the restrictions on the procurement and sales prices of animal products, raised the procurement price of grain and oil, and instituted ceiling and floor prices. Price restrictions have been lifted on fresh and live products such as vegetables; such prices are now determined by the market. Restrictions have also been lifted on all except a few local industrial products. The region is also lifting the price restrictions on ordinary industrial goods and nonstaple food shipped from the interior of China, and the restrictions on charges in catering services and the repair and other trades. The extremely irrational situation in the price setup has been improved to some extent.

In expanding enterprise decisionmaking powers, many enterprises have instituted the manager responsibility system and various types of economic contract responsibility systems.

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CSO: 4006/75

YUNNAN CIRCULAR ON GRASPING INDUSTRIAL PRODUCTION

HK091555 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Oct 86

[Excerpts] The provincial people's government recently issued a circular urging leaders at all levels to go down to the grass-roots units to conduct investigation to seriously solve problems, and to firmly grasp industrial production in the fourth quarter so as to ensure the fulfillment of this year's industrial production plan.

The circular reads: Since the beginning of this year, on the whole, the situation has been good in the province's industrial production. The province's industrial output value from January to August increased by 6.2 percent over the same period of last year. However, there were also some prominent problems, namely, the low growth rate and poor economic results; the increase in costs of comparable products; the low stability rate of consumption targets; and the increase in the total amount of losses.

To speed up production and improve economic results, the circular urges leaders at all levels to grasp the following tasks:

1. They must firmly grasp the production of marketable products.

2. They must firmly grasp the development of collective enterprises in the urban and rural areas so as to make greater contributions to the fulfillment of the province's economic development plan.

3. They must firmly grasp the supply of raw materials and fuel.

4. They must firmly grasp the sale and marketing of products.

5. They must firmly grasp the work of turning losses into profits.

6. They must firmly grasp the implementation of the measures for expanding decisionmaking power.

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CSO: 4020/30

YUNNAN ESTABLISHES QUALITY ANALYSIS SYSTEM FOR PRODUCTION

HK090243 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Oct 86

[Text] Economic departments in the province have established a system of conducting quality analysis in industrial and communications production so as to promote the work of quality control in the province. According to this system, on 18th of every month, the provincial economic commission holds a routine meeting on quality analysis. Personnel from the provincial departments and bureaus related to industrial and communications production, all companies directly under the provincial authorities, industrial and commercial administration departments, and epidemic prevention and medicine examination departments should attend the meeting. All prefectures, autonomous prefectures, and cities must report on the situation in quality control before the meetings.

The establishment of the system of holding routine meetings on quality analysis has transferred and exchanged information and experience regarding quality control in a timely way and promoted the work of quality control and supervision departments.

The first routine meeting on quality analysis was held in May this year. After 1 month, the quality of products of industrial and communications enterprises in the province improved greatly. The rate of increase for quality stability of the province's main products under examination in July reached 82.6 percent, an increase of 11.2 percent over the same period last year.

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CSO: 4006/70

BRIEFS

SICHUAN LATERAL ECONOMIC TIES--Sichuan has vigorously developed lateral economic and technical ties and cooperation. At present the province has established economic ties with all the 28 other provinces, municipalities, and autonomous regions in the country, and has promoted multi-channel and multi-tier ties and cooperation with them. In 1984 and 1985, the province signed agreements on 3,500 cooperation projects inside and outside Sichuan involving about 1 billion yuan in capital and 2.5 billion yuan worth of materials. There are now over 1,000 enterprise combines of various types and forms, with some 7,000 participating enterprises and units. In the first nine months of this year, the province reached agreement on some 1,000 cooperation projects involving 300 million yuan in capital and 700 million yuan worth of materials. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Sep 86 HK] /12913

YUNNAN ECONOMIC INFORMATION CENTER--Since its establishment 2 years ago, the provincial Economic Information Center has, in connection with the province's economic reform, provided to the province large amount of economic information and support services. It therefore made contributions for developing the province's economy. Equipped with advanced computer system and facsimile network, it provides large amount of economic information, as well as means that help leaders make decisions, to the central and local organs and departments at various levels. Now, this center has established information links with over 20 provinces, cities, autonomous regions and core cities throughout China. The province's information network now covers all counties, thereby promoting the lateral economic links. The center also runs the YUNNAN JINGJI XINXI [YUNNAN ECONOMIC INFORMATION] journal, with its issue number now being 430, which have carried more than 7,500 items of economic information. [Excerpts] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 8 Oct 86 HK] /12232

CSO: 4006/81

FINANCE AND BANKING

AGREEMENTS SIGNED WITH 14 COUNTRIES ON AVOIDING DOUBLE TAXATION

HK230637 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1018 GMT 20 Oct 86

[Text] Beijing, 20 Oct (ZHONGGUO XINWEN SHE)--Up to September of this year, China had signed agreements on avoiding double taxation and preventing tax evasion (including property tax) with Japan, the United States, Great Britain, France, the Federal Republic of Germany, Belgium, Singapore, Malaysia, Canada, Finland, Denmark, Norway, Sweden, and New Zealand, a total of 14 countries.

In 1981, China began holding talks with some countries for the purpose of reaching agreement on avoiding double taxation. At present, Japan, Great Britain, France, the Federal Republic of Germany, and Singapore have already implemented the agreements that have been signed. China's agreement with Malaysia on avoiding double taxation will be implemented from January 1987. China's agreements with other countries will be implemented when the necessary legal procedures are completed. China has initialed agreements on avoiding double taxation with Thailand, Romania, and Italy and the official signing ceremonies will be held after the texts of the agreements are examined and finally approved. The countries which are presently negotiating with China on such agreements are: Yugoslavia, Switzerland, the Netherlands, Austria, Australia, Czechoslovakia, and some others.

The agreements on avoiding double taxation signed between China and foreign countries explicitly stipulate the methods of avoiding double taxation. There are two methods: One is tax exemption. For example, in the agreements on avoiding double taxation signed between China and France, the Federal Republic of Germany, Belgium, Norway, and Sweden it is clearly stipulated that the nationals of the relevant foreign countries (including those who are legally nationals, hereinafter called nationals) do not have to pay taxes on their business profits gained in China and their incomes gained from individual labor services in China in their own countries if they have paid taxes in China according to the rules and regulations. The other is tax deduction. For example, the agreements on avoiding double taxation signed between China and Japan, the United States, Great Britain, Singapore, Malaysia, Denmark, Canada, and Finland explicitly stipulate the nationals of the relevant foreign countries may deduct the amount of tax they have paid in China on their profits gained in China from the amount of tax they have to pay in their own countries, so as to avoid double taxation on the same type of income. In the agreements signed between China and most of the foreign countries, it is also stipulated that the amount of tax exempted in China and the amount of tax exempted as a result of the implementation of the restrictive tax rate according to the agreement on avoiding double taxation should be deducted from the profits gained in China. After such deductions, the nationals concerned should still be entitled to the amount of tax exemption they should enjoy in their own countries, which means taking the exempted tax as tax paid. This will enable China to give more preferential treatment to foreign investors in terms of taxation and enable foreign investors to gain practically from their investment in China so as to bring into full play taxation's role of encouraging foreign investment and inviting advanced foreign technologies.

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CSO: 4006/74

GUANGZHOU CENTER FACILITATES INTERBANK LOANS

OW111359 Beijing XINHUA in English 1158 GMT 11 Oct 86

[Text] Guangzhou, 11 Oct (XINHUA)--A new financial institute to facilitate short-term interbank loans was set up today in this capital city of south China's Guangdong Province.

The Guangzhou financial center for interbank loans marks a new step in reform of the city's financial system, said an official from the local branch of the People's Bank of China.

The institute will provide a place for interbank loan business and exchange of information to promote the rational flow of money needed in construction, said the official.

China's present financial system only allows vertical flow of funds. For example, the People's Bank of China, the Central Bank, will allocate money to its local branches and other special banks. These funds are not allowed to flow between banks in different regions.

Guangzhou was chosen early this year by the State Commission on Economic Structure Reform and the Central Bank as one of the pilot cities to reform China's financial system. By the end of September, business volume of interbank loans had exceeded 700 million yuan (U.S. $189 million).

The newly-opened institute will provide a listing of business opportunities for banks and other financial organizations in Guangzhou so they can deal with their counterparts in other areas of China.

To this point, local banks and other financial organizations have signed agreements for interbank loans totalling 100 million yuan (U.S. $27 million).

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CSO: 4020/32

GUANGZHOU TO OPEN STOCK MARKET 'SOON'

HK150233 Hong Kong SOUTH CHINA MORNING POST in English 15 Oct 86 BUSINESS POST p 1

[Article by Paul Sham]

[Text] Guangzhou is soon to open its first stock market, the city's deputy secretary-general, Mr Xu Zhi, said yesterday.

Mr Xu said authorities were finalising details of the operation, and that they would consider whether foreigners, including Hong Kong and Macao residents, would be able to trade in the market.

He said the stock market would open late this year or early next year.

The market would fall under the supervision by the People's Bank of China, Guangzhou branch, he said, and would be operated by either a specialised bank or trust or by an investment company.

The stock exchange would be housed in the Interbank Borrowing Centre opened in the city last weekend.

Mr Xu said the centre would eventually form the core of Guangzhou's rapidly changing banking sector.

Reforms have recently been implemented to break the customary reliance upon the central government for increases in funding.

Under the bank reforms, he said, commercial transactions by cash would be reduced and the use of credit facilities such as commercial papers and equity issues would be encouraged.

"Whenever there is commercial paper and stock, it is necessary to have relevant markets," he said.

Since 1984, more than 600 enterprises and financial institutions have issued stocks and bonds worth a total of 130 million yuan (about HK $273 million), while Guangzhou's Industrial and Commercial Bank has issued bonds totalling 100 million yuan.

The People's Bank of China, Guangzhou branch, has issued on the country's behalf about 620 million yuan in treasury bonds.

Mr Xu said the result of the first day of trading at the Interbank Borrowing Centre, which reached 111 million yuan, was satisfactory.

According to the interim management regulations, members of the centre comprise branch offices and subsidiaries of the People's Bank and specialised banks in the Pearl River delta, as well as trust and investment companies and other financial institutions in Guangzhou that submit applications.

Mr Xu said the centre would be open 6 days a week, though trading would take place only on Tuesdays and Fridays.

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CSO: 4020/32

HENAN REPORTS PROGRESS IN REFORM OF FINANCIAL SETUP

HK261357 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 25 Aug 86

[Text] The province has made new breakthroughs in reform of the financial setup. Credit cooperatives in urban areas have been greatly developed. By the end of July, the province had established a total of 163 credit cooperatives in urban areas. More than 100,000 collectives and individual households have opened their accounts at these cooperatives. The balance of accounts amounted to 410 million yuan. The credit cooperatives accumulatively granted loans worth 11.5 billion yuan. Therefore, the trade ranked top in the country in terms of numbers of account holders, balance of accounts, and the amount of loans accumulatively granted.

The province's development of credit cooperatives in urban areas has eased the problems of collective-run and individual industrial and commercial enterprises facing difficulties in opening bank accounts, depositing their funds, applying for loans, and settling their accounts. The development has also solved the problem of collectives and individual households having to carry cash with them when travelling to other places to buy goods. At the same time, the development has also supported the province's technological transformation in such trades as energy resources, transport, and state-run enterprises in localities, thereby easing the demand pressure for funds on industrial and commercial banks.

Through the support of collective and individual economic developments, the province has arranged jobs for unemployed youths and society's idle laborers. According to statistics, the province's labor service companies, which were account holders of the urban credit cooperatives, arranged jobs for more than 500,000 people in the past year.

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CSO: 4006/74

URBAN COOPERATIVE BANK OPENS IN CHENGDU

OW160438 Beijing XINHUA in English 0234 GMT 16 Oct 86

[Text] Beijing, 16 Oct (XINHUA)--China's first cooperative bank in an urban area has opened in Chengdu, capital of Sichuan Province in the country's southwest, the "Economic Daily" reported today.

Initiated by the Chengdu branch of the People's Bank of China, with financing by the Xinan (southwest China) College of Finance and Economics, the bank will "lead the way for further reform of the financial and educational systems," the paper said. The bank opened Tuesday.

Like the rural credit cooperatives successful throughout China, the Chengdu bank will obtain most of its capital from its depositors, it said.

While conventional Chinese banks are agencies of the central government, this cooperative bank--although government regulated--are accountable to their depositors and other shareholders.

The bank will use the money it raises for loans to individually-owned businesses as well as to collectives, state-owned enterprises run by workers on a contract basis and other cooperative ventures.

"The new bank will help enliven the local economy," the paper said.

In addition to providing initial financing, the Xinan college has also supplied the bank's top managers and some of its staff, who will involve the bank in the college's teaching program and do consulting work, research and staff training, according to the paper.

The bank's managers have also been empowered to issue bonds approved by the People's Bank of China, the paper said.

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CSO: 4020/32

FIRST JOINT-STOCK BANK ESTABLISHED IN CHENGDU

HK170227 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1127 GMT 16 Oct 86

[Report: "China's First Joint-Stock City Cooperative Bank Founded in Chengdu"--ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 16 Oct (ZHONGGUO TONGXUN SHE)--According to a report from Chengdu, the Chengdu Huitong [0565 6639] City Cooperative Bank, the first joint-stock city cooperative bank of China, was founded on 14 October. The founding of this bank is regarded as an important step taken by Sichuan Province toward the reform of its financial structure.

The recently founded Huitong City Cooperative Bank has raised its capital by the means of floating shares and is to be operated by students of the Southwest University of Finance and Economics under the leadership of the Chengdu branch of the People's Bank of China.

The basic aims of this bank are to explore a new mode for the reform of the financial structure and the educational structure of China; to vigorously support all kinds of collective and private industrial and commercial enterprises in cities, state-owned enterprises run by collectives of staff members on a contract basis, and other collective-run economic combinations so as to ensure that they will develop along the right track; to promote the extensive application of scientific and technological achievements; to expedite the reform of the economic structure; and to invigorate the local economy.

Apart from those services provided by ordinary state-run banks, Huitong City Cooperative Bank also runs many new business items, such as issuance of stocks approved by a bank of the higher level in the capacity of stock agent, an economic consultation service, the preparation of feasibility study reports concerning applications for loans and prediction of risks, as well as the training of economic administrative personnel and the conducting of experiments to meet economic institutes' teaching needs.

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CSO: 4006/74

LIAONING ESTABLISHES JOINT NONFERROUS METAL GROUP

SK161304 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Oct 86

[Text] The northern China Nonferrous Metals and Gold Joint Operation group, with five large enterprises as its backbone, was established today at the Shenyang Smeltery. Our province has fairly rich nonferrous metal resources, and favorable conditions for mining, ore dressing, smelting, and processing.

Presently, the annual output of 10 kinds of common nonferrous metals produced by 13 enterprises subordinate to the Shenyang Nonferrous Metals Industry Corp. reaches 260,000 tons. However, due to the restriction of the commodity economy, these products fall short of the market demand. Since the beginning of this year, 28 enterprises in 8 areas inside and outside the province, including the Shenyang Smeltery, the Shenyang Nonferrous Metal Processing Plant, the Fushun Aluminium Plant, the (Hongtoushan) Copper Mine, and the Shenyang Cable Plant, have held discussions and organized the group for lateral economic cooperation, which covers mining, ore dressing smelting, and processing. With large enterprises of nonferrous metal, mining, smelting, and processing trades as its main bodies, the group is composed of superior enterprises, and will give play to the advantage of large key enterprises to promote comprehensive development, production, and operation of nonferrous metals in northern China.

The Shenyang Smeltery, one of the group's large enterprises, is capable of increasing its annual nonferrous metal output by 19,000 tons, its annual output value by 110 million yuan, and profit and taxes by more than 25 million yuan.

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CSO: 4006/74

BRIEFS

YUNNAN GOLD PRODUCTION--Beijing, 29 Sep (XINHUA)--Yunnan Province, in southwest China, has already met its 1986 gold production target. Its gold output through August was 37 percent higher than in the first 8 months of 1985. China does not disclose gold production volume. [Text] [Beijing XINHUA in English 0714 GMT 29 Sep 86 OW] /9599

CSO: 4020/32

SMALL-SCALE ENTERPRISES

BRIEFS

DECLINE IN INDIVIDUAL ENTREPRENEURS--According to XIAN WANBAO, the number of individual industrial and commercial enterprises in the urban areas of Xian City dropped by 1,500 in the first half of this year compared with the figure for the end of last year, while the number of persons employed in them declined by 2,300. Apart from some enterprises dropping out through rational readjustment, the main reasons for the decline were lack of sufficient space to operate, excessive rents, excess imposition of charges and fees, and losses caused due to undertakings being operated in a blind fashion. There is also the factor of an erroneous view in ideological understanding, which holds that there has been too much development of individually-operated economy and it needs restricting. This problem should arouse the attention of the sectors concerned. [Text] [Xian Shaanxi Provincial Service in Mandarin 0200 GMT 27 Sep 86] /9599

SICHUAN TOWNSHIP ENTERPRISES--Township enterprises have developed more rapidly in the province. In August, the total output value of township enterprises in the province reached some 880 million yuan, an increase of 35 percent over the same period of last year. The accumulated output value of the province's township enterprises from January to August this year reached some 6.2 billion yuan, an increase of 24 percent over the same period of last year. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 27 Sep 86 HK] /9599

PEASANT ENTREPRENEURS' FORUM--A provincial forum of peasant entrepreneurs was held in Hefei on 5 and 6 October. With great interest, 26 peasant entrepreneurs attending the forum gave an account of their enterprises, shared experiences in running them, identified problems, and proposed plans and suggestions for further developing enterprises. The forum has greatly inspired peasant entrepreneurs throughout Anhui and will give a strong impetus to deepening the second-stage reform and developing commodity production in rural areas. Governor Wang Yuzhao and Vice Governor Meng Fulin attended and made important speeches at the forum. [Text] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 6 Oct 86] /9599

CSO: 4006/74

CONSTRUCTION

COMMISSION URGES TO REDUCE CONSTRUCTION SCALE

OW200127 Beijing XINHUA Domestic Service in Chinese 1236 GMT 17 Oct 86

[Article by RENMIN RIBAO reporter Xiao Tihuan and XINHUA reporter Ge Daxing]

[Text] Beijing, 17 Oct (XINHUA)--A general inventory of construction projects for this year, scheduled to be completed by the end of October, has entered the crucial final stage. In this connection, the State Planning Commission has urged all localities and departments to take prompt action to ensure a good job in finding out the exact number of construction projects and amount of investment in order to pave the way for the reform and economic construction during the 7th 5-Year Plan.

Yu Zhijian, vice minister in charge of the State Planning Commission, and officials of the National Office on Checking Projects Under Construction gave the following briefings to responsible persons of relevant State Council departments today concerning the progress in conducting the inventory: Over the past 2 months, most departments and localities have stepped up their efforts to check the projects in accordance with the State Council's instruction, and have begun to summarize the inventory results and decide on actions to handle them. While checking the projects, a number of localities and departments have already stopped or postponed the construction of some projects and, thus, achieved practical results in controlling the investment scale. However, a few departments and localities have superficially complied with the State Council's instruction, while continuing to carry out the construction, thus affecting the overall plan of the inventory.

Since the beginning of this year, leading comrades of the State Council have repeatedly stressed that the key to controlling the investment scale on fixed assets lies in cancelling construction projects that are not vital or can be postponed and in thoroughly solving problems involving large numbers of construction projects, long construction periods, and poor efficiency. The State Planning Commission has called on all localities and departments to proceed from the overall interests of reform and economic construction in taking prompt action, in accordance with relevant government regulations and inventory results, to classify the projects into one of the following four categories: rejects whose construction should continue, those which should be continued on a reduced scale, those that should be postponed, and those that should be stopped. In this way, construction of projects that are unnecessary or not pressing can be stopped or postponed, and our limited financial and material resources can be released to support the construction of urgent key projects. As large construction projects are being carried out mostly by central departments, they should set good examples in this respect. Those that have lagged behind in the inventory should step up their efforts.

The State Planning Commission has called the attention of all localities and departments to the fact that during the 7th 5-Year Plan, the state plans to carry out a total of 350 large and medium-sized new construction projects, and that by starting over 100 projects this year, we have somehow exceeded the quota, not to mention new projects carried out by local governments. Therefore, it is necessary to combine the current inventory with planning work and further strive to reform the management system for better investment results so that China's capital construction will stress investment efficiency instead of the number of projects and amount of investment.

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CSO: 4006/70

NORTHWEST REGION TO STEP UP ECONOMIC TIES

HK280311 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Sep 86

[Text] Our station reporter has learned from the fourth economic cooperation meeting of the five northwest provinces and regions, which concluded today, that in order to speed up the development and construction of the Great Northwest, Shaanxi, Gansu, Ningxia, Qinghai, and Xinjiang will step up ties and cooperation in the fields of textiles, electronics, tourism, education, material supply, and border trade. A network of economic cooperation will gradually take shape in the region.

The participants in the meeting held that although the northwest is rich in natural resources, the exploitation and use of these resources is seriously affected by backward technology and lack of talent. To turn the strong points in resources into economic strong points as soon as possible, it is first necessary to strengthen technological cooperation and economic ties in the region, make full use of the existing talent and technology of each province and region, and gradually establish a criss-cross network of economic ties. Regular joint efforts should be made to tackle technical problems and to promote technological and material exchange.

The meeting held that it is essential to focus on realities and promote ties and cooperation in depth. In border trade, each province and region should act in the spirit of joint cooperation and development and promote border trade business in fine-quality and first-class products with local characteristics.

The meeting stressed that talent is the key to developing the Great Northwest. The five provinces and regions must step up cooperation in tertiary education and the training of talented people in the northwest. They should rationally readjust tertiary education and the pattern of its specializations, expand the scope and numbers of enrollment, and step up the training of middle-aged and young teachers, postgraduates, and minority-nationality specialized talent. Silk Road tourism should be promoted with joint efforts.

Shaanxi Governor Li Qingwei, Gansu Vice Governor Zhang Wule, Qinghai People's Government Adviser Liu Shulin, a responsible comrade of the Ningxia Economic Commission, and Xinjiang party and government leaders Qi Guo, Bai Chengmin, and Tuohuti Shabier attended the meeting.

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CSO: 4006/69

PAPER REPORTS ON GROWING ECONOMIC RELATIONSHIP WITH HONG KONG

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 6 Sep 86 p 2

[Text] Recently, at the conclusion of a discussion meeting on "Developing the Mainland and Hong Kong's Economy" held in Yinchang, it was disclosed that by the end of 1985, the total amount of PRC investment in Hong Kong had already reached $5 billion, thus making the PRC the country with the largest investment in Hong Kong. At the same time, the total amount of Hong Kong's investment in the PRC had reached $2.3 billion and likewise made Hong Kong the largest investor in the PRC. This shows that the economic relationship between the PRC and Hong Kong is getting closer.

Statistics show that by the end of 1985, the total amount of PRC investment in Hong Kong was $5 billion. Total U.S. investment in Hong Kong was $4.95 billion, total Japanese investment in Hong Kong was $2.8 billion, and total British investment in Hong Kong was $0.12 billion. Forms of investment also changed from last year's uniform method of sole investment to an increase in new forms such as joint investments, controlling majority shares, and cooperative projects.

It was also disclosed that in the course of the mainland's effort to bring in foreign investment, Hong Kong has become a major investor. At the end of 1984 the mainland had signed agreements which made use of foreign investment totalling an amount of $4.79 billion of which Hong Kong and Macao accounted for $2.226 billion. That represented 46.5 percent of the overall figure and thus surpassed both Japan and the United States.

CSO: 4006/84

OPEN POLICIES ENCOURAGE ANHUI'S ECONOMIC GAINS

HK270523 Beijing CHINA DAILY in English 27 Oct 86 p 1

[By staff reporter Liu Dizhong: Economic Reforms Enliven Commerce in Anhui Province]

[Text] China's open policies have become a key factor in the economic development of Anhui Province following the area's success in pioneering the introduction of rural economic reform.

The province, located in the lower reaches of the Yangtze River, is looking to foreign countries and neighbouring provinces for more financial and technological cooperation.

Up to now, the province has attracted nearly $300 million in foreign capital and about 700 million yuan ($189 million) from other parts of the country for hundreds of industrial and agricultural projects, according to Meng Fulin, deputy governor of the province.

A shortage of funds and technical expertise have been the two major reasons for the province's lack of economic progress up to now. Agriculture has been the key income producer, with 88 percent of the population involved in farming. That figure is about 5 percent higher than the national average.

It was in Anhui Province that the rural contract responsibility system originated in the late 1970s. Since then, the responsibity system has been taken up by the rest of the country. Rural reform has proved a great success in boosting the agricultural production of the province as well as of the whole country.

While expanding the reform to all sectors in the province, Anhui has placed specific emphasis on strengthening economic cooperation with both foreign countries and its neighbouring, economically developed provinces to expand and update its industry.

The deputy governor told CHINA DAILY that close ties have been made with a score of foreign countries in the fields of light industry, electronics, building materials, transportation, processing of agricultural products and tourism.

The province abounds in natural resources and has sufficient manpower. Plans have been made to attract $460 million in foreign capital in the next five years mainly for upgrading existing industrial enterprises and exploring minerals such as coal, copper, iron and sulphur.

Meng said the province will double its current export of agricultural and industrial products by 1990. Trade is expected to expand to more than 100 countries and regions.

Over the past three years, the volume of the province's foreign trade has increased by more than 40 percent annually. Last year, exports reached $310 million, up 25.9 percent over the previous year.

Cooperation with other areas of China also had "fruitful results," as the province signed around 4,000 contracts with 23 provinces and municipalities for more than 2,000 projects throughout Anhui. Meng predicted that investment from other provinces could reach 1 billion yuan in next five years, which is expected to add more than 2 billion yuan to the annual output value of the province's industry.

This lateral cooperation will help restructure the industrial and agricultural enterprises of the province and turn its inwardly-directed economy into a new one eyeing the demands of both home and world markets, Meng said.

He disclosed that more flexible and favourable policies than those adopted in coastal cities will be issued by the province to further financial and technological cooperation.

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CSO: 4020/86

GUANGDONG OFFICIAL ON FOREIGN INVESTMENT ENTERPRISES

HK270521 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 27 Sep 86

[Text] Vice Governor Yu Fei stressed yesterday at a Foshan City symposium on enterprises set up with foreign investment that the province must continue to do a good job in running these enterprises and create an excellent atmosphere of cooperation, so that foreign businessmen will feel confident in running enterprises in China.

Since the 3d Plenary Session of the 11th CPC Central Committee, foreign businessmen have invested in setting up 4,200 enterprises in Guangdong. The total amount of foreign investment used by the province is some 2.8 billion. The province accounts for over half the totals for the whole country in the number of enterprises set up by foreign businessmen's investment and in the amount of foreign investment.

However, due to our lack of experience in running foreign investment enterprises well, there are many problems that urgently need resolving in the operational decisionmaking powers of such enterprises, taxation policies, enterprises economic burdens, export licenses, and so on.

Vice Governor Yu Ei pointed out that the provincial government is now considering the extensive use of foreign investment, and is drawing up specific measures. The main ones are: respecting the decisionmaking powers of foreign investment enterprises; lightening their burdens; giving them favored taxation treatment; and simplifying procedures for obtaining licenses, and so on. In this way the products of such enterprises can become more competitive in the external market, thanks to lower production costs.

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CSO: 4006/69

FOREIGN INVESTMENT BOOM IN GUANGDONG'S HUIYANG

HK230801 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0301 GMT 20 Oct 86

[Text] Guangzhou, 20 October (ZHONGGUO XINWEN SHE)--This reporter was informed by the Huiyang Prefectural Commission of Foreign Economic Relations and Trade that by the end of last August the number of enterprises operated in the prefecture using foreign funds amounted to 433 or some 600 percent more than in 1983, second only to Shenzhen and Guangzhou, ranking third in Guangdong Province, and the real amount of funds invested by foreign businessmen there totalled $59 million.

Ninety percent of the foreign-funded enterprises in the prefecture are productive ones and some 80 percent of them produce mainly for world markets. Most of the enterprises produce satisfactory economic results. Of the 29 enterprises operated by the units under direct jurisdiction of the prefectural authorities and foreign investors, 26 are profit-making ones and moreover, most of the enterprises have struck a balance in foreign exchange.

Before 1983, most foreign-funded enterprises in the prefecture were nonproductive ones engaging in tourism, hotels, motor vehicle repair service, and construction decoration and repair service. Later on, because business was slack and it was difficult to achieve a balance in foreign exchange, more than 20 such enterprises went out of business or suspended their contracts. In the last 2 years, foreign businessmen have invested mainly in large-scale productive enterprises which require advanced technology and turn out products mainly for export. In the January-September period this year, 46 new contracts were signed by Sino-foreign joint-venture enterprises or an increase of nearly 500 percent over the same period of the previous year. All the enterprises involved in the contracts are production-type and export-oriented.

Hong Kong businessman Wu Wan-chun who runs two guest houses in Lufeng and Huizhou City using his own capital this year again invested to set up the Wantong Handbag Factory in Huizhou whose products are all sold in overseas markets. More than 80 percent of the products of the foreign-funded enterprises, such as the TCL Communications Equipment Company Ltd and the TTK Home Electric Appliances Company Ltd in Huizhou and the Dongying Computer Embroidery Company Ltd and the Nanfang Beverage Factory in Dongguan are for sale abroad and highly competitive in international markets. The Huibao Electronics Company Ltd with production capacity of 100,000 mini television sets a year, which signed its contract last year and went into operation in August of this year, sells all its products in the United States and the Middle East.

Products of the Dongwen Cassette Tape and Hi-fi Company Ltd in Dongguan are all sold in more than 20 countries and regions, including the United States, Canada, and Singapore. Last year its total export volume amounted to HK$50 million or a net profit of 1.26 million yuan in renminbi and in the first half of this year, its output value increased by 20 percent over the corresponding period of last year with profits up nearly 10 percent.

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CSO: 4006/80

FOREIGN TRADE AND INVESTMENT

PEARL DELTA PROMOTES TRADE WITH HONG KONG

OW251418 Beijing XINHUA in English 1234 GMT 25 Oct 86

[Text] Hong Kong, October 25 (XINHUA)--Guangdong Province's Pearl River delta, bordering on Hong Kong, plays an "important role" in boosting trade between Hong Kong and the Chinese mainland.

Trade rose 11 times to 120 billion Hong Kong dollars (about 15.4 billion U.S. dollars) during the 1978-85 period, according to a conference on economic development in the delta, which opened here Friday.

Professor Yang Zhenyan, from Jinan University in the Guangdong provincial capital of Guangzhou, said, "joint ventures, cooperative businesses and other enterprises with Hong Kong investment have mushroomed in the delta."

The bulk of the 1.9 billion U.S. dollars in foreign investments in Guangdong is concentrated in the 21,500 sq km delta, now opened to foreign investment and trade, he told the conference, which is organized jointly by his university and Hong Kong Polytechnic.

Since the signing of the Sino-British joint declaration on the future of Hong Kong two years ago, he went on, cooperation has "entered a new phase"--big joint ventures, the manufacturing industry, and replacement of assembly projects by the import of advanced technology and equipment.

He invited Hong Kong firms to help the delta, with a population of 10 million people, retool existing businesses, introduce high technology, upgrade products and develop farm resources. "In return, the delta can provide Hong Kong with farm products, labor and a potential market," he observed.

His views were shared by other participants, including Lo King-man, deputy director of the Hong Kong Polytechnic, and Wang Guangzhen, dean of the Economic College of Jinan University.

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CSO: 4020/86

WANG PINGQING ON GUANGZHOU FAIR, IMPROVEMENTS

HK270916 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
25 Oct 86

[Recorded interview with Wang Pingqing, vice minister of foreign economic relations and trade, on the situation in the transaction of commodities at the Guangzhou Chinese export commodities fair]

[Excerpts] Since the 60th Chinese exported commodities fair opened 10 days ago, many business groups have concluded commodity transactions and the situation is gratifying.

Yesterday morning, a reporter from this station interviewed Wang Pingqing, vice minister of foreign economic relations and trade, on the situation in the transaction of commodities over the past 10 days and on future plans for the fair.

[Begin recording] [Reporter] Minister Wang, will you talk about the transactions of the past few days?

[Wang] Judging from the international market, except for crude oil the market is, on the whole, relatively good. Trade over the past few days has been relatively good. The volume of trade has been relatively great. By yesterday trade volume was some 81 percent more than in the same period last year. In the wake of opening to the outside world and reform, the fair has also carried out reform.

[Reporter] We believe that the Guangzhou fair will be run better and better. Are there any new plans for the fair?

[Wang] The main aspect is to expand the volume of business each season. At the same time, it is necessary to expand the role of the fair in terms of comprehensiveness and function. The key lies in improving the quality of our present products, increasing their variety, and improving their packaging so that our exported commodities can be competitive in the international market.

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CSO: 4006/86

VOLUME OF TRADE INCREASING AT GUANGZHOU FAIR

HK270533 Beijing CHINA DAILY in English 27 Oct 86 p 1

[By Staff Reporter Chen Zhisong: Trading on Rise at Export Fair]

[Text] Guangzhou--The volume of trade during the first 10 days of the 60th Chinese Export Commodities Fair, currently under way here, has increased 50 percent over the first 10 days of the spring fair, a spokesman at the fair said.

The official described the fair as "unprecedented" and "far better than expected."

More than 22,000 traders from 84 foreign countries and regions have completed transactions at the fair since it opened on October 15, the official added.

Many foreign clients have apparently abandoned their former wait-and-see attitude in the early trading days of the fair. Of the visitors, 79 percent are from Hong Kong, Japan and the United States. The number of business people from Western Europe has also increased compared with previous fairs.

Most of the commodities displayed at the fair are selling well, said the official among the most actively traded items are silk and other textiles, garments and handicrafts. Textile and silk products accounted for 40 percent of total sales.

Other products selling well include foodstuffs, shoes, musical instruments, knitware, toys, jewelry, and traditional Chinese medicines, the official added.

With the price of cotton rising again on international markets, traders have been stimulated to buy large quantities of it, the official said.

The spokesman also told reporters that prices of some commodities have been adjusted to better adapt to changes on international markets and business people have responded to the price adjustments positively, the official said.

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CSO: 4020/86

FOREIGN TRADE AND INVESTMENT

GUIZHOU VICE GOVERNOR INTERVIEWED ON OPENING UP

HK280355 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 23 Oct 86

[Excerpts] The following is Vice Governor Zhang Shukui's answers to the station reporter's questions on the province's opening up and matters concerning encouraging foreign investment.

[Begin recording] [Report] Vice Governor Zhang, would you please tell us about the province's achievements in the areas of utilizing foreign capital and importing technology after the province's opening up to the outside?

[Vice Governor Zhang Shukui] The province has just begun the work of utilizing foreign capital. We have imported foreign capital through 28 projects and has utilized over 30 million of foreign capital. At the same time, the province used 77 million of its foreign exchange for importing over 220 items of technology and equipment from. This imported foreign capital and technology has also promoted the province's technological progress and economic development.

[Reporter] The State Council recently announced the regulations on encouraging foreign investment. What new regulations has the province recently promulgated in order to improve its investment environment and expand its export trade?

[Zhang Shukui] In addition to continuing to implement the regulations on importing foreign capital, technology and qualified personnel; and in the wake of the development of opening up, the province government has recently worked out eight specific procedures, in order to encourage foreign investors to invest in the province.

[Reporter] Would you please tell us the specific details of these procedures?

[Zhang Shukui] Sure. The major contents of the procedures are that we shall provide foreign investors on priority basis the venue needed for founding enterprises. We shall offer preferential treatments when levying charges on the enterprises. Foreign investors who invest in and run enterprises in remote and border areas may be exempted from the charges on the use of a site for five years. Workers from coastal areas and working for export enterprises run by collectives are exampted from income tax according to the regulations. Enterprises run by foreigners and producing goods needed by the province may settle part of or its whole accounts in foreign currency. Enterprises which earn large amounts of foreign exchange may use the department's foreign exchange to solve relevant problems whenever they develop. Projects run by other provinces will be included into the fixed assets investment plan, as well as have manpower arranged on priority basis. [words indistinct]

[Reporter] But some foreign investors complained that the past procedures were troublesome and time consuming.

[Zhang Shukui] These specific procedures state clearly that the procedure has been simplified and efficiency should be improved. [end recording]

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CSO: 4006/86

HAINAN SIGNS 11 CONTRACTS WITH FOREIGN FIRMS IN 1986

HK230907 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0352 GMT 21 Oct 86

[Text] Haikou, 21 October (ZHONGGUO XINWEN SHE)--This reporter learned from Hainan's Foreign Economic Committee that from January to September this year, Hainan Island signed 11 more contracts with foreign firms on joint venture and cooperative projects and compensation trade items, pushing the total number of such contracts to 236. According to these contracts, the total investment will be $385.16 million, and more than $277.57 million will be foreign funds.

According to statistics, of the 236 projects, 90 have been completed and put into production, and 82 are now under construction.

The investors came mainly from 20-odd countries and regions including the United States, Japan, Australia, Singapore, Thailand, Hong Kong, and Macao.

Most projects Hainan Island signed with foreign firms, Overseas Chinese businessmen, and Hong Kong businessmen 3 or 4 years ago were nonproductive projects, such as processing materials supplied by customers, building hotels and restaurants, and developing tourism and trade. But the number of productive projects, such as establishing factories and enterprises, has increased over the past 2 years. They concern various fields, including electronics, machinery, textiles, plant growing, and animal breeding.

In order to project the interests of the investors, Hainan Island has provided them with preferential treatment in respect of charges for the use of land, supplying materials, taxation, and applications for import and export licenses. The annual output value of the Zhuhai polyester fiber factory, which is jointly run by this country and Mr Lu Ye-kun, an American of Chinese descent, will reach about 100 million yuan after it is put into production, and the profits may reach 10 million yuan. The electric wire and cable factory, a joint venture of Wenchang County and Hong Kong's Nam Sing Trading Company, and the Gaorun Garment Factory, a joint venture of Lin Gao County and Hong Kong's Kwok Resources Trading Company, achieved very good economic results over the past year since they were established, and their products sell well in Shanghai, Tianjin, and other cities.

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CSO: 4006/80

FOREIGN TRADE AND INVESTMENT

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SHANDONG GOVERNOR INVITES FOREIGN INVESTMENT

SK240717 Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Oct 86

[Text] Governor Li Changan was invited to attend the sixth international forum on enterprise management held in Beijing from 20 to 23 October. During the forum, Governor Li Changan introduced to representatives from domestic and foreign enterprises Shandong's general situation, economic situation, investment environment, and relevant policy measures for opening to the outside world. He also held discussions with representatives from enterprises of the United States, the FRG, Switzerland, the Netherlands, Spain and Argentina, as well as representatives from relevant domestic enterprises. He answered their questions on Shandong's communications and transportation, harbor construction, farm product processing, and enterprise technical transformation. Governor Li Changan's speech and talks drew great attention from Chiense and foreign participants, and were warmly welcomed.

Governor Li Changan said: With a superior geographical position and a substantial economic and technological foundation, Shandong has many favorable conditions for opening to the outside world. During the Sixth 5-Year Plan period, our province made new progress in opening to the outside world, and achieved remarkable results. During the Seventh 5-Year Plan period, we will open Shandong's door still wider, and carry out more extensive, flexible, and multifarious forms of economic and technological cooperation to expand the province's scope of foreign capital utilization and technological imports based on the principle of relying on our efforts, learning from the strong points of others, and promoting technological progress to vitalize Shandong's economy, and the principle of equality and mutual benefit. The focus of foreign capital utilization will be placed on the energy and communications industries, the light and textile industries, the iron and steel industry, the raw material industry, and the building material industry so that these industries can promote industrial and agricultural production and the technological progress of our province and facilitate its progress in the four modernizations drive.

Governor Li Changan stressed: Voluntary participation is the foundation of cooperation, and the law is the guarantee. Concerning the several preferential policies that our province formulated based on the State Council's regulations to encourage investment by foreign businessmen which were just promulgated, we mean what we say and will ensure their implementation. Foreign entrepreneurs are invited to boldly invest and build plants in Shandong. We will warmly welcome friends from the monetary, trade, scientific, and technological circles and people's organizations of any countries of the world, including Hong Kong and Macao, to visit and tour Shandong and discuss matters concerning cooperation in order to promote understanding and continuously develop friendship and cooperative relations between us.

When holding discussions with Chinese and foreign entrepreneurs, Governor Li Changan gave an additional introduction of the situation in relevant fields of Shandong and elaborated in more detail on the preferential policies and measures of our province to encourage foreign investment. He said: We will further adopt positive measures to improve communications, telecommunications, and other infrastructural facilities, simplify procedures to examine and approve enterprises established exclusively with foreign investment, supplement and improve preferential policies, and strive to create a more sutiable microclimate and provide a better environment for foreign investment. The spheres of our cooperation will be wider. We will pay attention not only to cooperation in economic construction, but also to that in operation and management. We will import not only advanced equipment, but also advanced technologies and managerial experiences. In short, we will attach more importance to cooperation in software. To further improve work related to foreign affiars, we have sponsored one training program after another for relevant leading cadres of various cities, prefectures, and counties so that there will be more and more common language between us and foreign friends. We will also further strengthen information work for more foreign friends and overseas Chinese to understand and be familiar with Shandong.

Governor Li Changan also solemnly announced: Shandong welcomes all foreign friends and Overseas Chinese, including retired veteran technical personnel, who are willing to come to work in Shandong. We will provide more preferential work and living conditions to these veteran technical personnel. Some enterprises in Shandong have also done so.

Governor Li Changan also invited foreign friends to attend the trade meeting on foreign economic and technological cooperation to be held by our province in Qingdao next spring.

/12232
CSO: 4006/80

MOST SHANGHAI FOREIGN VENTURES PROFITABLE

OW180514 Beijing XINHUA in English 0245 GMT 18 Oct 86

[Text] Shanghai, October 18 (XINHUA)--Almost all of Shanghai's 90 Sino-foreign joint ventures are profitable, a Shanghai official said today.

He said foreigners have invested 1.7 billion dollars in Shanghai--China's leading industrial center--more than 100 foreign-owned enterprises as well as the joint ventures. Many of the enterprises with foreign investment produce goods for export.

The official said Shanghai's joint ventures have generated 600 million yuan of production output value in the first half of this year. During the period, he said, they made a net profit of 52 million yuan and paid another 40 million yuan in taxes.

Altogether, according to the official, 36 of the joint ventures earned 30 million dollars from exports during the period.

He said the profits were improved by the activities of the city's foreign exchange control office, its branch of the Bank of China and its Committee on Foreign Economic Relations.

The exchange control office made it possible for the Shanghai-Foxboro Meter Company, a Sino-United States joint venture, to acquire foreign exchange in return for renminbi, China's domestic currency not normally convertible to foreign exchange.

"Here's what happened," the official said. "Shanghai Foxboro has been earning profits over the last few years, but it doesn't have enough foreign exchange to carry out its business.

"The other company, a resort owned by a Shanghai-Hong Kong joint venture, has more foreign exchange than it needs. It can buy what it wants domestically and meet most of its payroll with renminbi. The exchange control office has been working all of this out."

The bureau also supplies Sino-foreign joint venture companies which produce goods for the Chinese market with foreign currency to repay investors abroad.

For its part, the official said, the Shanghai branch of the Bank of China has issued loans totaling 290 million yuan (78 million U.S. dollars) and foreign currency worth 86 million dollars to 36 Sino-foreign joint venture companies this year.

Included were a loan of 100 million yuan (27 million dollars) to the Shanghai Dazhong Motor Vehicle Company, a Sino-Federal German joint venture, to upgrade technology, and a loan of more than 70 million yuan (19 million dollars) and 36 million U.S. dollars to a Sino-British joint venture, the Shanghai Yaohua Pilkington Glass Company, to import equipment and technology.

According to the official, the city's Committee on Foreign Economic Relations and Trade has made it easier for the city's joint venture hotels and factories to purchase steel products, glazed tiles, elevators and telephone equipment over the past two years.

/9716
CSO: 4020/35

BRIEFS

JILIN TRADE TALKS--The 7-day Jilin provincial trade talks concluded in Changchun City on 27 August. During the trade talks the province held business consultations with 711 foreign businessmen from 22 countries and regions. The business volume in both imports and exports reached $67.04 million, a 3.3-time increase over the fixed target. The province signed contracts on 47 items of economic and technical cooperation. Funds involved in the contracts totalled $22.77 million. [Summary] [Changchun JILIN RIBAO in Chinese 27 Aug 86 p 1 SK] /9599

SHAANXI EXPORT TRADE--Shaanxi has fulfilled its foreign trade and export quota 97 days ahead of schedule. Total export value up to 25 September was $130 million, exceeding the year's quota by 7.9 percent and showing an increase of 120 percent over the same period last year. This success has ended the stagnation in the province's export trade in recent years. [Summary] [Xian Shaanxi Provincial Service in Mandarin 0030 GMT 20 Sep 86 HK] /9599

CHONGQING FOREIGN TRADE--Foreign trade departments in Chongqing City have organized various export commodity production and sales in cooperation with major coastal ports and small township enterprises in the province, achieving remarkable results. Their export income exceeded $100 million by the end of August, fulfilling this year's target 4 months ahead of schedule and marking an increase of 90 percent over the same period of last year. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 27 Sep 86 HK] /9599

CERTIFICATES ISSUED--Shanghai, 24 Oct (XINHUA)--On the afternoon of 24 October Jiang Zemin, Shanghai Municipal mayor, issued certificates to enterprises with foreign investments. They were the first batch of enterprises the export products and advanced technology of which were affirmed. These 69 affirmed enterprises that have been invested in by foreign firms will enjoy special preferential treatment given by the state and Shanghai, including reduction of or exemption from taxes and reduction of charges for the use of land. As of the end of September of this year Shanghai Municipality had approved the establishment of 203 enterprises with foreign investment. Half of these have opened, with foreign direct investment reaching U.S. $1.44 billion. While implementing the "State Council Regulations on Encouraging Foreign Investments in China," Shanghai Municipality has formulated certain provisions to encourage foreign investments, in accordance with local characteristics and within its limits of authority. [By reporter He Zijia] [Text] [Beijing XINHUA Domestic Service in Chinese 1611 GMT 24 Oct 86 OW]

GROWTH OF EXPORTS INDUSTRY--Hefei, October 27 (XINHUA)--The textile export industry is growing rapidly in east China's Anhui Province and the industry is making improvements in textile quality. Exports totaled more than 75.6 million U.S. dollars the first nine months of this year, a 70 percent increase over the same period last year. Textiles account for a quarter of the province's exports, said an official of the Anhui foreign trade department. The introduction of advanced technology and increases in the number of finished products spurred the growth, the official said, adding that finished products, including garments and printed and dyed cotton cloth, make up 50 percent of textile exports. He also said the province would continue to concentrate on developing more kinds of garments and printed and dyed cloth. [Text] [Beijing XINHUA in English 1430 GMT 27 Oct 86 OW]

ZHEJIANG RURAL INDUSTRY EXPORTS--Hangzhou, 13 Sep (XINHUA)--Rural factories in Zhejiang Province exported goods worth 200 million yuan (54 million U.S. dollars) in the first half of this year, a local official said today. This accounted for one-tenth of total exports, he said. Export value of the rural industry is expected to reach 500 million yuan (135 million U.S. dollars) by the end of the year, compared with 360 million yuan (97 million U.S. dollars) in 1985. Some 200,000 rural factories in Zhejiang produce more than 2,000 varieties of export goods, including silk fabrics, clothing, hardware, machines, arts and crafts, canned food, minerals, building materials, chemicals and farm produce. New exports include automobile universal couplings, color cement, and electric fans used on cooling towers. Rural industrial output value was about 23 billion yuan (6 billion U.S. dollars) in Zhejiang last year, following first-place Jiangsu Province. [Text] [Beijing XINHUA in English 0743 GMT 18 Sep 86 OW]

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CSO: 4020/35

EFFORTS BY SHENZHEN TO SERVE DAYA BAY NUCLEAR PLANT

HK251000 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1316 GMT 24 Sep 86

[Report: "Shenzhen Will Develop Its Eastern Area to Serve the Daya Bay Nuclear Power Plant"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 24 Sep (ZHONGGUO XINWEN SHE)--According to the East Shenzhen Development (Holdings) Corp. set up yesterday, at present Shenzhen is concentrating efforts on developing the region covering 350 square km between Dapeng Bay and Daya Bay, east of the city, so as to generate economic prosperity in the region and to simultaneously serve the Daya Bay Nuclear Power Plant.

The East Shenzhen Development (Holdings) Corp. is set up with a view to stepping up construction in that region.

Since 1984, Shenzhen City has invested 100 million yuan in the development and construction of the region. Nine construction projects, including a road leading to the site of the Daya Bay Nuclear Power Plant, a reservoir for the plant, and the Dapeng Guesthouse and the Shayuyong Wharf near the plant, have been completed. The floor space of various completed facilities totaled up to 300 million square meters. At present the Luosha Road tunnel and other projects are under construction.

According to Shenzhen City's Plan, the region's conditions, such as its location next to a mountain and facing the sea and its relatively rich natural resources, will be utilized. Meisha, Xiasha, and Xichong are to be opened as tourist spots and 10 other places, including Shuzhuangtai, as tourist centers. Six marine aquatics breeding bases or areas, three industrial zones, and three port areas are also to be built.

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CSO: 4006/69

SPECIAL ECONOMIC ZONES

SHENZHEN FURTHER ENCOURAGES FOREIGN INVESTORS

HK240607 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1423 GMT 22 Oct 86

[Text] Beijing, 22 October (ZHONGGUO XINWEN SHE)--Zhou Xiwe, vice mayor of Shenzhen, said at the Sixth International Seminar on Enterprise Management that the Shenzhen Special Economic Zone will institute more preferential policies to develop foreign economic cooperation.

Zhou Xiwu said that most of the preferential policies concerning enterprises which export their products and adopt advanced technologies laid down in the "Provisions for Encouraging Foreign Investment" recently promulgated by the State Council have been adopted by the Shenzhen Special Economic Zone for many years toward enterprises involving foreign investment. Shenzhen will continue to implement these preferential policies and improve the investment environment according to the principles of the "Provisions." In addition, it will give further preferential treatment to foreign investors in the following three respects:

First, preferential treatment in the area of income taxes. The income tax rate for all enterprises in the special economic zone is 15 percent. But enterprises which involve more than $5 million of foreign investment, or adopt advanced technology, or need a long fund turnover period for some projects can enjoy a tax-free period of 2 years and a half-tax period of 3 years. According to the State Council's new provisions, the income tax rate for enterprises which export their products can be reduced to 10 percent, and enterprises which adopt advanced technology can enjoy a further half-tax period of 3 years after their tax-free or tax-reduction periods expire.

Second, preferential treatment in the area of import-export taxes. The export of all products by enterprises in the special economic zone is exempt from export tax; and imports of equipment, production materials, and livelihood materials needed by foreign investment enterprises are also exempt from import tax. The import of raw materials for the production of export goods is exempt from customs duty, and the taxes on products sold inside the special economic zone can be reduced by half. Products which are not subject to the state's import restraints can be sold to other parts of the country with the approval of the Shenzhen City government.

Third, preferential treatment in the area of land use fees. Shenzhen further lowered the land use fee on 1 January 1985. The annual fee for land used for industrial and warehouse purposes was lowered from 5 to 15 yuan to 1 to 1.6 yuan per square meter. Projects which adopt world first-class technology can be exempt from land use fees for 5 years, and can then enjoy a 50 percent reduction period of 3 years. Projects which involve some particularly sophisticated technologies can be completely exempted from land use fees.

Zhou Xiwu said that the zone has resolutely banned the imposition of exorbitant taxes and levies on enterprises and has begun to examine the standards of charges stipulated by administrative organs at all levels. Enterprises can refuse to pay fees which are not related to their business. The costs associated with public works and utilities should be arranged by the city government and will not be imposed on enterprises. All reasonable charges will be accompanied by corresponding good quality services. Henceforth, charges must first be approved and announced by the city government. Foreign investment enterprises can lodge complaints with the foreign investment management department if they are required to pay unreasonable levies and charges.

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CSO: 4006/80

BRIEFS

OUTSIDE INVESTORS PROTECTED--Zhuhai, October 21 (XINHUA)--The Zhuhai branch of the People's Insurance Company of China has covered 320 million U.S. dollars-worth of property of Sino-foreign joint ventures, co-production enterprises and solely foreign-owned projects in the locality. In the Zhuhai special economic zone in South China there are 230 enterprises with outside investment, and 210 of them have been insured by the company. Manager Tang Ximing told XINHUA that his company adopted flexible measures to meet the needs of enterprises with outside investment. The deep navigation channel of a wharf built through the joint efforts of a local company and a Hong Kong company was insured for 120,000 U.S. dollars annually, such insurance is without precedence in China. A stone quarry with Hong Kong investment was insured to cover machinery safety, public responsibility and the owner's responsibility. A unified rate was applied to the owner's responsibility in accordance with his demand. This was also new in China. The quarry pays 260,000 Hong Kong dollars annually, but in 1983 alone it received 330,000 Hong Kong dollars in indemnities for typhoon losses. A golf course and a recreational center with Japanese investment was insured under a preferential policy. The premiums are being paid in installments and sometimes even in Chinese currency. [Text] [Beijing XINHUA in English 0910 GMT 21 Oct 86 OW]

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CSO: 4020/35

LABOR AND WAGES

WOMEN WORKERS BECOME MAJOR FORCE IN ALL FIELDS

OW060902 Beijing XINHUA in English 0841 GMT 6 Oct 86

[Text] Beijing, 6 Oct (XINHUA)--The current economic reforms have greatly improved the status and mental outlook of Chinese women, "Chinese Women News" reported.

This conclusion emerged from a sample survey of more than 230,000 women in 12 municipalities and provinces carried out by the All-China Federation of Trade Unions.

Women workers have become a major force in all trades and professions, the paper quoted an official of the trade unions as saying. There are now 43 million women in the workforce, accounting for about 36 percent of all workers. This is 72 times the number of women who were working at the time of liberation.

In the past, professional women were usually employed in textiles, light industries, and the service trades. They are now commonly found working in various other fields, the official said.

According to the survey, 50 percent of the workers in textiles, tailoring, service trades and the medical profession are women. Eighty-one percent of them have attended senior or junior middle school, which is 8 percent higher than their male counterparts.

The survey indicated that women workers are participating in the economic reform with tremendous enthusiasm. In Gansu and Jiangxi Provinces local enterprises have received more than 10,000 suggestions for improvements from 7,000 women. The companies have adopted more than 2,000 of those suggestions.

Meanwhile, the number of women in management positions are slowly increasing. In the city of Wuhan, capital of the central China's Hubei Province, only 20 percent of the directors and managers democratically elected are women, which is an increase from the past.

Over the past 3 years, 42 women in Guangzhou have been promoted to directors and managers, and they number several hundred in the Shenzhen special economic zone, in Guangdong Province.

In the wake of the economic reform, more and more women are studying harder. This is because they realize they'll lose out in competitive society if they don't raise their level of education as quickly as possible.

In answering the question "What kind of wife do you hope to become," more than 60 percent said they wished to be competent wives both in the family and the society.

The survey also indicated that only 50 percent of the women receive help with household chores such as cooking, washing and nursing. In their leisure time they read, go dancing or take part in a variety of recreational and sports activities.

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CSO: 4020/32

YUN-7 PLANES PUT INTO PASSENGER SERVICE

HK210344 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 17 Oct 86

[Excerpts] A few days ago, a responsible person of the civil aviation administration of China announced that 15 homemade YUN-7 planes had now been put into passenger transport service on branch air transport lines of our country.

The YUN-7 plane has been designed and manufactured by Xian Plan Manufacturing Company and scientific research units concerned. In April 1982, the YUN-7 plane successfully completed its first test flight, take-off and landing, at the Tianjin airport. In July the same year, the State Council and Central Military Commission approved the finalization of the design of the YUN-7 plane.

From 1984 up to the present, the Xian Plane Manufacturing Company has respectively delivered 15 YUN-7 planes to the air transport operation units, including those of Wuhan, Hefei, Hohhot, and Xian. They fly some 9,700 hours each quarter. They have gone to 65 civil aviation airports of our country.

The civil aviation units of all places have reported that the take-off and landing functions of the YUN-7 plane are good and these planes are safe and reliable.

Comrades of the Xian Plane Manufacturing Company have disclosed to reporters that after the 15 YUN-7 planes are delivered, 2 more YUN-7 planes will soon be put into air transport service by a local Sichuan provincial civil aviation company.

During the Seventh 5-Year Plan period, the YUN-7 planes will gradually become a main force on the branch air transport lines of our country.

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CSO: 4006/81

QUANGDONG TO START DREDGING XI JIANG WATERWAY

HK240313 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1311 GMT 17 Oct 86

[Text] Guangzhou, 17 October (ZHONGGUO XINWEN SHE)--Guangdong Province's Xi Jiang waterway dredging project will be launched in full swing in late October.

The Xi Jiang waterway runs from Ninning through Wuzhou in the Guangxi region to Guangzhou. The full length of the waterway is 847 km, with 287-kilometer section stretching into Guangdong Province. The waterway to be dredged is composed of two sections namely, the section stretching from Wuzhou to Sixian Jiao of Sanshui County along the trunk stream of the Xi Jiang and the section stretching from Sixian Jiao to Guangzhou along the Dongping waterway. The dredging project consists of many minor operations, such as the blasting away of reefs, the elimination of sharp meanders, and the building of dikes and dams. the part of the project to be completed in Guangdong Province will involve a reef blasting work fo 50,000 cubic meters, over 80 percent of which has been done so far. And the whole reef blasting oepration is expected to be finished by next March. The Dadao river bend, Pingzhou Jiao, and Sanwei Chong are the key sections of the sharp meander elimination operation, which has been going on smoothly since last October when it was started. The whole operation is expected to be completed by next spring.

It is estimated that the Guangdong section of the Xi Jiang waterway dredging project will be completed in the first half of 1988. After the whole project is completed, the Xi Jiang trunk stream waterway will be 60 meters wide and the Dongping waterway 80 meters wide. The voyage for medium-sized cargo ships and large passenger ships from Guangxi to Guangzhou during the dry season will then be shortened by 110 km and the freight volume raised by over 200 percent.

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CSO: 4006/81

BRIEFS

RAILWAYS ELECTRIFICATION--The Seventh 5-Year Plan, China will build 3,000 km of electrified railway, raising the proportion of electric locomotives from the current 23 percent to 70 percent. During the Sixth 5-Year Plan, China invested a total of more than 23 billion yuan in railway construction, of which more than 2,500 km were electrified railway. This was more than twice the total kilometers of electrified rail built over the past 20 years. Currently there are 4,100 km of completed electrified railway in China. A spokesman for the Ministry of Railways indicated that the electrification of China's railways has proceeded from mountain areas to the plains and from the construction of new lines to the electrification of busy, pre-existing trunk lines. This is all a significant measure of the substantial progress in the electrification of China's railways. [Text] [Zhengzhou ZHONGGUO CHENGXIANG XINXIBAO in Chinese 10 Aug 86 p 1] 12919

JILIN HIGHWAY CONSTRUCTION--The northern highway between Changchun and Jilin cities in Jilin Province, which is 112 kilometers long, was opened to traffic on 23 September. After opening the highway, a trip between Changchun and Jilin cities will be 1 hour shorter than formerly. The province has invested almost 100 million yuan in the project and spent almost 2 years building it. [Summary] [Changchun JILIN RIBAO in Chinese 24 Sep 86 p 1 SK] /9599

BEIJING, GUANGZHOU, XIAN AIR LINKS--Beijing, 20 Oct (ZHONGGUO XINWEN SHE)--According to the Civil Aviation Administration of China (CAAC), two new air routes, one from Xian to Beijing via Changzhou and another from Xian to Guangzhou via Changzhou, will be officially open by the middle of next month. Using Soviet-made Ilyushin-18's to fly the shuttle service, the two new air routes are jointly operated by the Cian and Guangzhou administrative bureaus of the CAAC. There will be one flight a week, carrying 90 passengers and flying at an altitude of 8,000 meters. Trial flights will be conducted on the 24th and 25th of this month. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0831 GMT 20 Oct 86] /9599

URUMQI-SHIHEZI RAILWAY SECTION--At 2030 on 28 September, a train from Urumqi sounded a siren and slowly approached the Shihezi station. This marked the completion of the Urumqi-Shihezi section of the Beijing [Northern Xinjiang] Railway. Since the start of the Beijing railway project in May last year, central and regional leading comrades have been very interested in it. Wang Zhen, Wang Enmao, and other leading comrades have personally inspected the construction of the railway project. Along the 113-kilometer main line of the Urumqi-Shihezhi railway, the constructors erected 20 large and medium-sized bridges and built four large stations, namely, Changji, Hutubi, Manas, and Shihezhi stations. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 29 Sep 86 HK] /12913

BOEING-737 HANGAR CONSTRUCTION--The ground-breaking ceremony for the Guangzhou Baiyun Airport's Boeing-737 service hangar, so far the largest of its kind in China, was held this morning. This service hangar, being construction with the approval of the state authorities, has a net span of 80 meters and is 92 meters long. With a total area of 13,772 square meters, it is the largest and highest one in China. It can simultaneously accommodate four Boeing-737 planes. The hangar is being built on an integrated high-low steel mesh structure [gao di zheng ti kong jian wang jia gang jie gou], the first to be designed and built in China. The design of the hangar is new, original, and good looking. The construction layout, transport facilities, fire-fighting equipment, water supply, central heating facilities, and power supply have been carefully designed to meet international standards. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 20 Oct 86 HK] /12232

RONGQI PORT OPENS TO FOREIGN SHIPS--Guangzhou, 10 Oct (XINHUA)--The State Council has given permission to the opening of the third-largest inland port of Guangdong Province to foreign vessels, an official of the local port office announced today. The Rongqi port in Shunde County, which can accommodate ships of 3,000 dwt, is 68 nautical miles (126 km) away from Hong Kong, or a trip of 2 and 1/2 hours by hovercraft. Passenger service will start there soon to Hong Kong. But it was not able to receive foreign ships until a 100-meter dock and other facilities, including a building with a floor space of more than 4,000 square meters, were completed, the official said. Shunde is an export outlet for agricultural products and the original hometown of many overseas Chinese. The opening of the port will be conducive to the development of the local economy and to enabling overseas Chinese and compatriots in Hong Kong and Macao to return for visits. [Text] [Beijing XINHUA in English 1851 GMT 10 Oct 86] /9599

CSO: 4020/30

HUBEI HOLDS MEETING TO PROMOTE FAMILY PLANNING

HK260527 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 25 Sep 86

[Text] In the afternoon of 24 September, at Hubei theatre, Wuchang, the provincial and Wuhan City family planning commissions jointly held a meeting marking the 6th anniversary of the CPC Central Committee's open letter to party and CYL members on controlling China's population growth.

Following the publication of the open letter on 25 September 1980, the province's party and CYL members, as well as intellectuals, warmly responded to the call of the CPC Central Committee. They actively carried out the party's policies on family planning, thereby successfully accomplishing the family planning work for the 6th 5-Year Plan. A large number of advanced units and individuals in the work have emerged.

At the meeting, (Liang Wenda), vice chairman of the provincial family planning commission, said in his speech: During the 7th 5-Year Plan period, like many other places in China, our province faces a tense situation in which the population growth rate may sharply rise. Party committees and governments at all levels must therefore attach great importance to the matter. They should continue to strengthen their leadership over the work, and must not treat it lightly. The population growth rate must be strictly controlled. We must give this work priority and unremittingly do well in it.

He hoped that all people throughout the province would continue to try to do better in family planning activities.

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CSO: 4006/74

SHAANXI REPORTS ON FAMILY PLANNING WORK

HK140147 Xian Shaanxi Provincial Service in Mandarin 0100 GMT 13 Oct 86

[Excerpts] In the first half of this year, our province took a turn for the better in its family planning work and bringing the limitation of population growth under control. However, the task of fulfilling the whole year's quota for family planning is still very difficult.

The number of births throughout the province in the first half of this year was some 213,000. The increase in population was smaller than the national average level. The rate of second births and the rate of additional births uncovered by a plan were less than that in the same period last year. However, due to the fact that the foundation of our province's family planning work is particularly poor, some places have relaxed the grasping of family planning work over the past 1 or 2 years, and the danger of exceeding the quota for family planning for this year still exists.

According to the estimates of all prefectures and cities, the number of births throughout the province in the second half year may reach 330,000 or so. Provincial authorities have demanded that all places pay attention to this situation, really do their work well, and control the whole province's population natural growth rate under the planned quota.

Departments concerned have emphasized that it is necessary to completely understand the directive on perfecting the policies of family planning was put forward by the central authorities, to continue to advocate that a couple can have only one child, to continue to advocate marriage and having a child at a mature age, and to make arrangements for the second birth in a planned way for the masses who have practical difficulties. It is essential to strictly prohibit second births and additional births uncovered by a plan.

Meanwhile, provincial authorities have decided that from the middle of this month to the end of November, the activities of publicizing the documents of the central authorities on firmly grasping birth control and taking remedial measures should be extensively carried out in all urban and rural areas throughout the province. All prefectures and cities must really strengthen leadership over the organization of these activities and regard these activities as a start in changing the backward outlook of our province's family planning work.

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CSO: 4006/74

SICHUAN CPC COMMITTEE URGES LEADERSHIP IN FAMILY PLANNING

HK160937 Chengdu SICHUAN RIBAO in Chinese 25 Sep 86 pp 1, 3

[Report: "The Sichuan Provincial CPC Committee Calls on All CPC and CYL Members to Take the Lead in Family Planning"]

[Text] In commemmoration of the sixth anniversary of "The CPC Central Committee's Open Letter on Controlling Our Country's Population Growth to the Whole Body of Communist Party Members and Communist Youth League Members," the Sichuan Provincial CPC Committee issued a letter today to all communist party members and Communist Youth League members of the province. Its test is as follows:

Comrade Communist Party Members and Communist Youth League Members of the whole province:

Today, 6 years ago, the CPC Central Committee issued an open letter on the control of our country's population growth to the whole body of Communist Party members and Communist Youth League members and made a great call to all the people of the country to advocate the idea of one child for every couple, urging people to break with the traditional concept of child-bearing.

Enthusiastically responding to the call of the CPC Central Committee, the masses of Communist Party members and Communist Youth members, and especially cadres at various levels, have consciously practiced family planning and have written through actual actions a new song marking a change in customs and habits.

In the past 6 years, people's concept of child-bearing has undergone marked changes. There have been more and more families of husbands and wives with one child. Of more than 17.06 million fertile couples in the province, 87.41 percent have adopted various contraceptive means. Five hundred and twenty-four million young couples have volunteered to have one child only.

In the past 6 years, the momentum of the population growing too fast has been brought under control. The province's population growth has gradually gone on the path of planned growth. Three million fewer babies than the originally projected grand total have been born. For a baby to grow into a simple labor unit costs 2,200 yuan at the minimum. Three million people mean a saving of

6.6 billion yuan. This is equivalent to 11.3 percent of the province's gross national product in 1985.

In the past 6 years, with the development of the economy and the strict control of the too rapid growth of the population, the people's living standard has shown a great improvement. The province's per capita income has increased from 271 yuan in 1980 to 484 yuan in 1985, with an increase of 213 yuan in 5 years. This is a rate of growth never witnessed before.

Practice has fully shown that advocating the idea of one child for every couple is entirely correct. This is not only conducive to state prosperity and national progress but is also helpful in serving family happiness and improving individual life. It is compatible with not only the conditions of our province but also the long-term interests of the masses of people. So long as things are reasoned out, the masses of people will understand and be receptive. The key lies in upholding the fundamental national policy of family planning and doing a good job of work.

Now, with the economy developed, the people's living standard raised, is it still necessary to continue advocating the idea of one child for every couple? This is a problem of great concern to everyone. To find an answer, we must see whether the state of our province's population and the trend of development are in line with social and economic development and in harmony with the use of resources and an ecological balance.

First, our province has a large population and a large base. It is also facing a peak birth period of as long as 10-plus years. In 1982, our province's total population had crossed the 100 million mark. Beginning from now to 1998, the average annual number of young men and women entering the period of marriage and fertility will sharply rise from 643,900 pairs in the period of the 5th 5-Year Plan and from 906,800 pairs in the 6th 5-Year Plan to more than 1.32 million pairs. The birth rate will be much higher than in the past. On the basis of population growth forecasts, the province's population will still show the trend of continuous growth in the coming 40 years or so. The party and league members of the whole province must have a full understanding of the matter and give it great attention.

Second, our province's population is extremely unevenly distributed and is greatly out of harmony with the use of resources and the ecological balance. The elevated and cold area in the west accounts for more than half of the whole province and has a population which is less than 5 percent of that of the whole province. The basin and hilly areas in the east have a very dense population with 500 people to every kilometer. The plains of Chengdu have as many as 700 to 900 people to every kilometer. These areas can be counted as the most densely populated ones in our country and even in the world.

These areas have a large population with little cultivable land and limited natural resources. Quite a large number of surplus laborers badly want to make a switch. In many places, there has already appeared the phenomenon of contracted land being not available for newborns.

Third, a large population has become a heavy burden on our economic and social development. Since the founding of the PRC, due to the development of production and the continuous improvement of the people's lives, our province's pattern of fertility has changes from one of a high birth rate, a high mortality rate and low-level growth before liberation to one of a high birth rate, a low mortality rate and high-level growth. This, coupled with a long period of absence of family planning, has made for too rapid a population growth. In the 30 years from 1950 to 1980, there was a net increase of 40 million people, with an average annual increase of more than 1.3 million. Material wealth increased though everyone's assiduous efforts were in great part wiped out by the consumption of newly added people. The main national economic targets of our province do not appear to be low in terms of absolute figures. But on a per capita basis, they show a big gap, as far as the whole country is concerned. In 1980, our province's national income stood at 26.5 billion yuan ranking third in the whole country. But the per capita income was only 271 yuan ranking 22d on a national basis and being 105 yuan lower than the national per capita income. In 1985, national income stood at 49.1 billion yuan with a per capita income of 469 yuan, 67 yuan lower than the national level. It is estimated that by 1990 the per capita national income will be lower by 215 yuan. Grain production represents a superior feature of our province, with a per capita share of 151 kg in 1980, 24 kg higher than the national level. The per capita share in 1985 was 377 kg, 12 kg higher than the national level. It is estimated that by 1990, the national per capita share will be raised to 403 kg, while our province's per capita share will be only 401 kg, 2 kg lower than the national level. The increased burden that our province's large population base imposes on education, culture, public sanitation, housing, employment, communications, environment, ecology, energy, and various other undertakings is obvious. It can be seen that strict population growth control is of particularly great significance to us.

In light of the drastic situation and the tasks confronting us, the provincial party committee and the provincial government prompted by the need to revive Sichuan's economy, double industrial and cultural output value by the end of the century and achieve the great goal of the people's living standard reaching a level of being relatively well off, decided to stabilize our province's existing birth control policy and continue universally advocating one child for every couple and strictly controlling population growth. This decision is entirely correct.

Our province's existing birth control policy has been gradually perfected in line with the spirit of central instructions, in light of Sichuan's reality and in keeping with guidance put in different categories. In universally advocating one child for every couple, special consideration has been given to meeting the demand of a small number of people with peculiar difficulties for two children and the demand of individual minority nationalities for three children. Urban and rural areas have strictly prohibited having a second child and more children not included in the plan. This year the provincial party committee summoned up relevant experts, scholars and comrades involved in family planning to repeatedly discuss the point of whether or not to stabilize the existing birth control policy. It was unanimously held that the existing birth control policy is compatible with the conditions of the province and the conditions among the people and should be seriously carried out in the period of the 7th 5-Year Plan and the 8th 5-Year Plan and even for a longer period of time. If this is not done, this is the risk of loss of control over population growth.

We must stabilize the existing birth control policy and continuously advocate one child for every couple. At present, we must restudy the central "open letter," sum up realities, make calculations and comparisons and reason things out with the cadres and the masses, and consciously turn party policy into the conscious action of the masses. We must energetically preach the need for producing good offspring and providing good breeding and improve the qualities of the population. We must build up and cite new persons and new deeds in introducing family planning. We must show warm concern for those families with one child helping them solve actual difficulties. We must foster a new glorious social trend of one couple having only one child.

We must uphold the guideline of putting the emphasis on contraception and energetically impart knowledge about contraception and birth control to fertile couples. We must actively introduce comprehensive birth control measures preceding pregnancies with necessary work and strive to avoid unwanted pregnancies. In line with actual experiences in the past few years, we must promote the use of intrauterine devices for women after one child and ligation methods for couples after two children or more. This is a good method conducive to the health of fertile women and to the protection of the labor force of women, and it must continuously be introduced. But in our work, we must take different persons and different areas into consideration and proceed from reality without applying "the same knife" or the same fixed standard in every case.

We must continue energetically promoting and introducing late marriages. This is of benefit to the state and individuals. It can help in reducing the population and slowing down population growth. If a young woman starts having a child at 20, there will be five generations in 100 years. If she sharts doing so at 25, there will be only four generations in 100 years. At a time when we are now widely conducting education on the popularization of law, we must pay great attention to publicity about the implementation of the "marriage law," prohibiting early marriage and premarital or extramarital birth. This is a problem bearing on social practices, national qualities, and protection and observation of law.

Advocating one child for every couple has given many families with fewer children a taste of something sweet. Meanwhile, certain families are also likely to encounter certain difficulties and problems. The party and the government have attached great importance to these difficulties and problems and are gradually studying ways to solve these problems. In some cases, results have been achieved. For example, the problem of the labor shortage confronting certain families in the countryside has been solved through the rendering of help, through exchange labor, and through unity and mutual help. Social welfare insurance undertakings have been energetically developed to solve the problem of care for the old. Schools of various kinds for parents have been launched. Knowledge about the scientific breeding of children has been popularized. The problem of educating one child has also been solved. Of course, the fundamental solution of these difficulties and problems chiefly depends on the energetic development of the economy and social undertakings. This calls for everyone to join in waging a hard common struggle. Involved is also a process. For the sake of national liberation, many revolutionary martyrs unhesitatingly sacrificed their lives and shed warm blood. For the sake of the safety of the motherland and the happiness of the people, generals and fighters bravely fighting on the frontline of Laoshan have made the loudest cry of the era: "I may as well suffer as an individual, as this brings happiness to 1 billion people." Today, given the unity of the whole party and the entire country in fighting and the undivided attention to modernization, for CPC and CYL members to carry out fundamental national policy on birth control is a contribution that should be completely made and is something that they can do. It must be noted that our province's introduction of the birth control policy of strictly controlling population growth is not only designed to solve the problem of population left over from history but, more importantly is aimed at created happiness for our descendants. We must not only leave cherished spiritual and material wealth for our descendants but also strive to create a rational population structure for them. This is our historic responsibility. We would rather in this generation solve the population problem in the face of difficulties than leave our descendants with this heavy burden of too large a population.

Comrades, in our economic and social development, the population problem has always been an extremely important one. In the past 6 years, we have done a large amount of work and scored great achievements and made great contributions. But the situation ahead is still grim. In no way can we let down our guard. The provincial party committee hopes that the masses of CPC and CYL members, especially cadres at various levels, will develop their achievements, press on with their efforts, put family planning work in a more important place and keep a tight and proper grip on it. They should also make a start with themselves, taking the lead in introducing family planning and creating new deeds of merit for the sake of our motherland's prosperity and powerfulness and for the sake of our descendants' happiness.

The Sichuan Provincial CPC Committee

25 September 1986

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CSO: 4006/74

YUNNAN HOLDS PHONE CONFERENCE ON FAMILY PLANNING

HK240313 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 22 Sep 86

[Text] On the evening of 22 September, the provicial people's government held a telephone conference, urging all localities to effectively strengthen their leadership, implement measures, and do a good job in family planning in the remainder of this year.

On the whole, the province did a good job in family planning in the first half of this year. However, we also encountered many new problems: 1) The province has entered a new child-bearing peak period; 2) the sterilization rate has dropped, and the number of people taking remedial operations has increased. Births beyond plans have increased.

In order to attain this year's population control target, the provincial government demanded that all localities properly resolve the following four problems.

1. They must unify their understanding and strengthen their leadership. The current family planning policies in the province take into consideration the interests of all sides and correspond with Yunnan's reality. All localities and departments must pay attention to the overall situation, and must not stress their own specialities. They must do everything in accordance with the overall situation of the country and the province.

2. They must effectively strengthen propaganda work and education, use the party's policies and scientific and technological knowledge to remove people's worries in various forms and by various propaganda means, and raise their consciousness in carrying out family planning.

3. They must firmly grasp the implementation of birth control measures. While vigorously carrying out propaganda and educational work, they must pay attention to technological and service work and keep pace with the development. Public health departments must ensure the safety of those who undergo sterilization operations. Whether taking sterilization operations or remedial measures, they must act according to practical conditions.

4. All departments must strengthen cooperation between each other and make joint efforts to properly carry out family planning work.

The provincial government expressed the hope that cadres, staff, workers, and people of various nationalities would continue to answer the party's call on each couple giving birth to only one child, and make contributions to controlling China's population at about 1.2 billion by the end of the century.

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BRIEFS

NEI MONGGOL FAMILY PLANNING--During the 6th 5-Year Plan period, the family planning rate of Nei Monggol Autonomous Region reached 87 percent, the one-child birth rate reached 69 percent, and the multi-child birth rate was reduced year by year. Comparing the 6th 5-Year Plan period with the 5th 5-Year Plan period, the annual average population growth rate was reduced from 15.5 per thousand to 13.2 per thousand and the number of babies born was reduced by 200,000 in 5 years. [Excerpts] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 24 Sep 86 SK] /9599

SHAANXI POPULATION CONTROL--Shaanxi Province has fulfilled the population growth control target set by the 6th 5-Year Plan. Some 650,000 single-child couples have taken out single-child certificates. [Summary] [Xian Shaanxi Provincial Service in Mandarin 0200 GMT 25 Sep 86 HK] /9599

JILIN FAMILY PLANNING WORK--During the implementation period of the 6th 5-Year Plan, Jilin Province scored marked achievements in family planning work. Its yearly average rate of population increase reached 8.11 per thousand, a 3.63 per thousand decrease over the national figure. During the 5-year period, 4.3 million people were not born thanks to the effective family planning program, and the province has saved 10.75 billion yuan for the state. [Summary] [Changchun JILIN RIBAO in Chinese 26 Sep 86 p 1 SK] /9599

CSO: 4006/74

PUBLICATIONS

BRIEFS

ZHEJIANG EVENING NEWSPAPER--Zhejiang's first evening newspaper, QUANJIANG WANBAO, will begin publication 1 January 1987. The newspaper, covering various areas of interest and catering to all walks of life, will be published by the general office of ZHEJIANG RIBAO. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 26 Sep 86 OW] /9599

CSO: 4006/74

NETHERLANDS OFFICIAL INTERVIEWED ON RELATIONS

OW141115 Taipei CNA in English 1043 GMT 14 Oct 86

[Text] Taipei, 14 Oct (CNA)--The Republic of China [ROC] has succeeded greatly in expanding its substantive relations with Europe over the years. The growing cooperation with the Netherlands is one of the finest examples of the progress being made.

Last year, Holland became the nation's third largest trading partner in Europe, as two-way trade between that country and the ROC increased to U.S. $700 million.

Since the ROC-Holland Economic Council was set up in 1982, trade representatives of the two nations have held regular meetings. Their dedication has strengthened the relations further.

Visiting Council Honorary Chairman G. M. V. van Aardenne said when interviewed here, however, that he is not satisfied with the rate of development but expects much closer relations between the two nations.

Van Aardenne, former Dutch vice prime minister and minister of economic affairs, is currently leading a commercial and industrial delegation on a 5-day visit here. The trip is aimed at seeking more concrete means to boost cooperative relations, he noted.

He is "very optimistic" and has "confidence" in the prospects for future advances, he said.

Future cooperation programs may emphasize the transfer of Holland's high technology or joint ROC-Dutch research on technological development, cooperation in investments, an increase in Holland's agricultural exports and the raising of the level of economic cooperation meetings, van Aardenne said. These plans will be discussed with Chinese officials during his stay here, he said.

Van Aardenne pointed out that the Netherlands has much to learn from the valuable experience the ROC Government has acquired while developing its economy. He said he will pay special attention to these factors during the trip.

Although van Aardenne has retired from politics, he has not entirely left politics behind, he said. He will, drawing on his past political experience, help Holland's civic commercial organizations expand economic and trade cooperation with foreign countries.

This is also the main mission of the ROC-Holland Economic Council, he stated. He also praised the contributions of the council over the years.

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CSO: 4020/32

BRIEFS

STATUS MAINTAINED IN DEVELOPMENT BANK--The Republic of China will meet its obligation to contribute U.S. $500,000 to the Asian Development Bank (ADB) in December to retain the ROC's status in the regional financial organization despite the fact that the government stands firm on its "no withdrawal and no participation" policy, said Minister of Finance Chien Chun yesterday. Minister Chien said in an answer to an interpellation at the Legislative Yuan that the ROC should donate the money to the bank under the official title of the ROC to maintain its standing. Meanwhile, under no circumstances should the ROC accept the ADB's redesignation of the ROC as "Taipei, China" because the official name in the ADB represents the ROC Government. [Text] [Taipei CHINA POST in English 17 Oct 86 p 12] /9599

CSO: 4020/32

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26 NOVEMBER 1986

China Report

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ECONOMIC JOURNAL ON ENTERPRISE OWNERSHIP REFORM

HK281430 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 86 pp 19-23, 59

[Article by Shen Shouye [3947 1343 2814]: "A Preliminary Study of the System of Ownership by the Enterprises Proper"]

[Text] Great success has been achieved in China's urban economic system reform. However, many problems cannot be smoothly solved without a reform of ownership relations. Our reform has developed to a stage where the socialist public ownership must necessarily be perfected.

I

Invigorating the enterprises is the central link of the economic system reform. In the final analysis, it is the whole body of workers in an enterprise that determine whether the enterprise, as a socialist organization that produces or deals in commodities, can operate independently and assume sole responsibility for profits and losses, and bring about its own transformation and development. Whatever external measures may be applied, an enterprise can hardly be invigorated if the workers do not regard themselves as masters in handling various categories of work in the enterprise. Only if they all feel they are the actual, not merely titular, masters of the enterprise, can their concern and love for the enterprise give rise to conscious action, can their enthusiasm in production and work be fully developed, can there be satisfactory long-term planning in operation and management, and can the enterprise thus enjoy boundless vigor and vitality.

China's enterprises under ownership by the whole people, particularly the large- and medium-sized ones, lack vigor precisely because genuine masters cannot be found in them. Let us first see whether workers are the real masters of the enterprises. According to our traditional theory, all workers in an enterprise are certainly its masters. Actually, however, they view themselves as workers rather than masters of the enterprise. This is reflected mainly in the fact that in terms of thinking and behavior, the majority of workers relatively simplistically care about the remuneration for their own work alone, without, as masters should, adequately showing consciousness in production and work, interest in the planning of operation and management, concern for the enterprise's prospects and destiny, and care of equipment and property. This kind of non-masterlike thinking and behavior, which may be called workers' simplistic thinking and behavior, constitute the basic cause of the enterprises' lack of vigor. Prior to the reform, this kind of thinking and behavior was mainly reflected in workers' weak enthusiasm in production and operation. In order to solve this problem, in our initial reform, we introduced the system of the enterprises' internal economic responsibility, and adopted measures like removing ceilings and floors for bonuses, linking total wages to economic results, and so on, so that the workers' enthusiasm could be developed. However, because the problem of workers not thinking and behaving like masters cannot be solved, unhealthy tendencies have developed among some enterprises, like "squandering without reservation the enterprises' resources through distribution and banquets," the indiscriminate distribution of bonuses and benefits in kind, and so on. The development of events has forced the state to readopt administrative and economic measures to control the distribution of bonuses. However, this control has again dampened the enthusiasm of the workers of some enterprises. Are factory directors and managers then the real masters of the enterprises? Apparently, factory directors possess great power in dealing with human, financial, and material resources and also production, supply, and marketing, and seem to be the masters of the enterprises. Actually, the majority of the factory directors regard themselves as the state's "agents" and all workers' representatives, rather than masters of the enterprises. They mainly concern themselves with fulfilling duties assigned by the state and furthering staff welfare. Precisely because of this thinking and behavior, when the state exercised centralized control over payments and receipts, the factory directors only paid attention to fulfilling the output and output value targets assigned by the state, at the expense of the enterprises' economic results. In order to end this situation, the state assigned greater decisionmaking power to the enterprises, "loosened the fetters binding them," and instituted on a trial basis the system of factory directors' responsibility. If the factory directors were really masters of the enterprises, the decisionmaking power assigned by the state would certainly be used for improving the enterprises. Actually, however, this is not the case. Some factory directors have been abusing their powers. For example, they abuse their power over personnel matters and in recruiting employees they "form cabinets" that comprise trusted henchmen only; they abuse their power over labor matters and employ labor according to "connections"; they abuse their power over selecting 3 percent of the staff for promotion and tend to promote themselves and the cadres; they abuse their power over production and operation, over work equipment, and care only about "accomplishing assigned tasks" at the expense of the enterprises' long-term interests; they abuse their power over financial matters and will not hesitate to undermine the enterprises' financial strength by distributing bonuses and benefits in kind; and so on. These phenomena specifically reflect that factory directors are not thinking and behaving like masters under the condition of reform. An important problem which we should conscientiously try to solve is that some enterprises' current behavior tends to be geared to short-term interests only. What is the basic cause of this problem? How can it be solved? We should carefully think over these questions.

II

Ownership of the means of production is the basis of production relations and is the most essential and basic economic relation among man's social relations. The root of the thinking and behavior of enterprise staffs, factory directors included, should be discovered through examining relations of ownership for the means of production. I think that only by turning the majority of enterprises currently under ownership by the whole people or collective ownership into enterprises under ownership by the enterprises proper (with some enterprises remaining unchanged, as explained below), with workers becoming genuine masters of enterprises, can the workers acquire a masterlike outlook with regard to power, responsiblity, and gains and losses, so that the enterprises will develop permanently rational behavior and enjoy the greater possible vigor.

Can we adopt the method of "imposing constraints related to interests" to rationalize the enterprise' behavior and and invigorate them, while keeping ownership relations intact? I think this method cannot basically solve the problem. Actually, we have been trying for many years to solve problems by this method. It has always been our intention that on the basis of adherence to using material incentive, the state's interests can be directly merged into the circumstances and conditions that govern the realization of the interests of the enterprises and their workers, so that the enterprises carry out production and operation and strive for their greatest possible benefit only under the constraint of those circumstances and conditions. Measures like abolishing ceilings and floors for bonuses and linking total wages to economic results are specific methods for "imposing constraints related to interests." However, their implementation has, as mentioned above, caused the enterprises to gear their action to short-term interests only. Currently, in order to solve this problem, the system of responsibility for attaining set goals in the factory directors' term of office, as a method of imposing some constraint related to interests, is being practiced. Whether this method can completely solve the problem remains to be ascertained through a full-scale investigation. However, information about some localities reveals that in the majority of cases the "goals to be attained in the term of office" are set by the enterprise (that is, the factory director), so that the goals themselves inevitably tend to be irrational or too low. Practice has demonstrated that unless we solve the basic problem of the non-masterlike thinking and behavior of workers of enterprises by launching a reform of ownership relations, the problem of "you impose your policies and we have our own countermeasures" will persist whatever method is adopted to "impose constraints related to interests."

Can we rationalize the enterprises' behavior and strengthen their vigor by appropriately separating ownership rights from operational rights under the condition that ownership by the whole people retains? I think this will be more effective than "imposing constraints related to interests." For the majority of enterprises, however, this method also cannot basically solve the problem under China's current condition of a low degree of socialization in production and operation. The reason is that judging from our practice since the launching of the economic system reform, the series of measures for separating the two categories of rights, like increasing the enterprises' decisionmaking power, introducing the contractual and renting systems, and so on, while successfully mobilizing workers' enthusiasm, have caused problems varying in seriousness, like abuse of power, unreasonably low contractual targets, disproportionately weighty individual interests, overworking of equipment, disregarding the enterprises' long-term development and interests, and so on; those measures have not caused the enterprises to rationalize their behavior. The CPC Central Committee has put forth a correct Marxist thesis concerning enterprises under ownership by the whole people: "Ownership rights and operational rights can be appropriately separated." I think a thorough understanding of this thesis depends crucially on an in-depth understanding of the word "appropriate." Judging from the history of economic development in all categories of human society, given that owners attain more or less the same management standard as those undertaking operation, the operational results of enterprises are invariably better if the two categories of rights are combined than if they are separated. The reason is that while by virtue of the management factor owners and those undertaking operation can achieve the same operational results, the former have greater concern for their own property in contrast to the latter, who invariably practice predatory operation to varying extents, influenced by the mischievous non-masterlike thinking. Only when those undertaking operation attain a much higher management standard than owners can the enterprises' operational results be better if the two categories of rights are separated than if they are combined. This is because when the extent of socialization in production and management increases, the owners' management standard becomes progressively more incompatible with the complexity of economic development, so that in the development of social division of labor, operation and management must inevitably become an independent specialty and a profession for specialized management personnel. It is only under this condition that when operational rights are separated from ownership rights, with the former assigned to capable qualified management personnel, the enterprises' operational results can be better than if the two categories of rights are combined (with the owners attaining only a very low management standard in contrast to their great concern for their own property). Thus, whether the two categories of rights are "appropriately" separated depends in general on the extent of socialization in production and operation and on the availability to the enterprises of capable qualified management personnel who can keep abreast of economic development. Judging from China's current level of development of productive forces and current operational and management standard, the directors and managers of enterprises under ownership by the whole people have not, generally speaking, become a contingent of capable and specialized management personnel. Therefore, if the measure of further separating the two categories of rights is applied to all enterprises, predatory operation varying in seriousness may occur in the majority of enterprises, so that all-around and satisfactory operational results may not be certainly achievable. The method of separating the two categories of rights can be "appropriate" only for the minority of enterprises where the conditions of production and operation are relatively advanced and factory directors and managers really attain relatively high management standards.

III

Having analyzed the need for considering alternatives regarding the ownership of enterprises, let us now examine whether practicing the system of ownership by the enterprise proper is rational.

What is called ownership by the enterprise proper refers to an economic form with the enterprises themselves acting as the main body exercising public ownership of the means of production. The implication is that the united workers, or all workers, of an enterprise jointly enjoy the right of ownership of the means of production of the enterprise, and this right is reflected in various links like production, distribution, exchange, and consumption. Under this public ownership, because all workers are specifically and genuinely the masters of the enterprises, jointly enjoying the benefits of enterprise operation and also jointly bearing the enterprises' operational risks, the operational results of the enterprises directly affect every worker's immediate personal interests and long-term interests, including their benefits after resignation. Thus, the workers will surely show greater enthusiasm, consciousness, and initiative.

Changing the majority of China's enterprises under ownership by the whole people and some of China's enterprises under collective ownership (at least large collective enterprises in the cities) into enterprises under ownership by the enterprises proper is in line with the tenets of Marxism. The crucial question here is whether the enterprises under ownership by the whole people, established through state investment, should forever remain under this kind of ownership. (The same reasoning applies to collective enterprises established through investment by the "big collectives" and not by workers of the enterprises. These enterprises will not be mentioned below for the sake of simplicity.) According to Marx' labor theory of value, "abstract human labor forms the value of commodities," (Footnote 1) ("Collected Works of Marx and Engels," Vol 23, p 60) and "the process of increase in value is merely the process of formation of value extended beyond a certain point." (Footnote 2) (Ibid, p 221) If we leave aside the substance this tenet embodies, namely, the study of capitalist production relations, we can see that the value of the product of an enterprise under socialist ownership by the whole people, which carries out production by using the means of production provided by the state, comprises two parts: First, value of the consumed means of production merged into the product; and second, value newly created by the living labor of the workers of the enterprise. Because the value of the means of production can only merge into the product and cannot alter the original magnitude of value, that is, cannot increase value, therefore, any increase in value arising in production must be created by the workers' living labor. Moreover, when workers' income and the taxes and profits delivered to the state are deducted from the value newly created by the workers' living labor, the remainder is accumulation funds, the majority of which are continuously converted in expanded reproduction into the means of production owned by the enterprise; therefore, it is naturally reasonable that once an enterprise has repaid to the state the amount of the state's original investment in the means of production, all of the enterprise's property should belong to the whole body of workers. Thus, once an enterprise has, within a number of years stipulated by the state (this time should appropriately be longer), fully repaid to the state by installments the amount of its investment, then it should change over to ownership by itself proper. According to this reasoning, some old enterprises have actually fully repaid to the state the amount of its investment because they have been delivering profits to the state for many years; therefore, they should be able to change over to a new system of ownership without any further repayment. However, a minority of state enterprises really belong to the whole people and should not change over to ownership by the enterprises proper; for example, enterprises operating railroads, highways, postal and telecommunications facilities, and so on, constitute the infrastructure of our national economy; the bulk of the means of production used by enterprises operating large- or medium-sized mines or oilfields, water and electricity supply, and so on, are state resources; enterprises like banks, grain distribution units, wholesale commercial units, and so on, are closely connected with state planning, so that disorder will probably result if they are not directly controlled by the state; enterprises in the national defense and external trade sectors must have their products and operation subjected to overall state control; and some special enterprises important to the national economy and the people's livelihood can better serve the whole nation only if they are under direct state control. By the same reasoning, we can also determine which of the urban enterprises currently run by big collectives should change over to ownership by the enterprises proper and which should not. As to rural collective enterprises, changing their status to ownership by the enterprises proper will be advantageous to further mobilizing the workers' enthusiasm and rationalizing the enterprises' behavior; not doing so will be advantageous to "allowing industry to make up for the weak points of the agricultural sector." Since both options have their own advantages and disadvantages, a separate study should be made to determine which option should be chosen. We can thus have ownership by the enterprises proper, which is a form of public ownership, as the main body, and rationally supplement it with various other categories of ownership, so that China's ownership structure can be more rational.

Because this reform of our ownership relations and structure is rational, it enables many problems in reform to be rationally solved:

First, the institution of the system of ownership by the enterprises proper logically seals a correct relation between workers and the enterprises, and genuinely rather than merely nominally safeguards the workers' status as masters of the enterprises. Because power, responsibility, and gains and losses lie with the workers, and they as owners have an incentive to show concern for their own property and strive for growth in property, an automatic and rational internal mechanism will inevitably be formed in the enterprises. This rational internal mechanism will certainly be characterized mainly by the selection (or recruitment through advertising) and deposing (or dismissal) of leading cadres of enterprises according to the aspirations of the majority of workers, so that they will be restrained from any unreasonable acts. Anyone who presumptuously acts against the immediate or long-term interests of an enterprise will certainly be restrained by the powerful supervision of the masses of workers. Thus, the enterprises will automatically refrain from all kinds of irrational behavior and thus acquire boundless vitality and vigor.

Second, instituting ownership by the enterprises proper provides a logical theoretical solution to the vigorous development of the socialist commodity economy. Since the launching of our economic system reform, economic theorists have undertaken a great deal of study about why commodity relations can exist within the state sector of the economy. Many viewpoints put forth are naturally not groundless, but they invariably seem unconvincing for their inability to explain why commodity relations can exist within the same ownership system. If ownership by the enterprises proper becomes the principal form of ownership in China's public ownership structure, then, the thesis that the socialist economy is a planned economy based on public ownership will be a natural and correct conclusion. This genuine unity of theory and reality is of great significance to the guaranteed success of our reform and the development of the socialist commodity economy.

Third, with the institution of ownership by the enterprises proper, the separation between administrative and enterprise authorities will be regarded as natural and logical. At present, in many localities, the duties of administrative and enterprises authorities have not been satisfactorily separated in the course of reform. In some cases, the responsible departments of the state do not want to assign powers to the enterprises; however, a very important reason is that "assigning powers to the enterprises will quickly lead to disorder." This is because with this assignment of powers, the state must control any external acts of the enterprises that undermine the state's interests as well as any irrational internal measures taken by the enterprises; but controlling the latter is very difficult. Thus, many kinds of capricious misbehavior that cannot be guarded against frequently occur. This often leads to the following cycle: "control quickly leads to rigidity; rigidity quickly induces the assignment of powers to the enterprises; assignment of powers quickly leads to disorder; and disorder quickly induces the recalling of powers." This makes it very difficult to separate the duties of administrative and enterprise authorities. With the institution of ownership by the enterprises proper, the enterprises' internal behavior will become more rational, and the state will mainly have to control the enterprises' external acts. Thus, administrative and enterprise authorities can be naturally separated.

Fourth, with the institution of ownership by the enterprises proper, the "substitution of lending for appropriation of funds" in investment in capital construction by the state will be a logical matter. With a reform of China's investment system, instituting the system whereby all of the enterprises' means of production funds must be obtained through borrowing will pave the way for instituting ownership by the enterprises proper, thus bringing about the unity of theory and practice. This development will help quench the "thirst for investment funds" and also make possible the recycling of the state's capital construction funds as loans granted to enterprises are continually repaid to the state with interest. Moreover, instituting ownership by the enterprises proper is consistent with "substituting taxation for profit delivery" and also theoretically consistent with the policy of permitting the bankruptcy of enterprises.

Fifth, instituting ownership by the enterprises proper is complementary to the reform of our economic mechanism. The reform of our economic mechanism aims to replace the rational economic mechanism, which embodies a high degree of centralization and which exercises control mainly through administrative means, by a planned commodity-economy mechanism which consciously applies the law of value and which fully develops the market mechanism. With the institution of ownership by the enterprises proper, this reform and the reform of the ownership structure will promote each other, so that various individual reforms can fit in with one another. This is of great significance to ensuring the smooth progress of the economic system reform and the fastest possible formation of a new economic system.

IV

Will the reform of our ownership relations and structure, with ownership by the enterprises proper to be instituted as the principal form of ownership, cause some major problems? People are paying close attention to this issue.

A relevant question is: Does this reform mean "retrogression"? The answer is in the negative, because first, ownership by the enterprises proper does not affect the essence of socialist public ownership of the means of production; precisely on the contrary, it solidly and genuinely ensures the workers' status as masters. Therefore, it is a form of socialist public ownership that possesses vitality and vigor. This form of public ownership differs in essence from the capitalist system of group ownership, which does not affect the essence of private ownership. The workers in a privately owned enterprise are not freed from the status of wage laborers subjected to exploitation, but socialist ownership by the enterprises proper brings about the symbioltic unity of those factors. Thus, ownership by the enterprises proper, by its nature as such a form of public ownership, can continue to guarantee the socialist orientation of our national economy when it becomes the main body in our ownership structure. Second, instituting ownership by the enterprises proper does not mean replacing advanced production relations with "backward" ones. Marxism tells us that a production relation in its specific form can promote the development of the productive forces only if it is compatible with the level of development of the productive forces. A production relations will impede the development of the productive forces if it is either backward or overly advanced. We suffered losses in the past owing to matters of transition in ownership precisely because we committed mistakes by blindly going after so-called "advanced" specific production relations without considering the level of development of our productive forces. Practice has proved that only those forms of production relations which are compatible with the level of development of productive forces are genuinely advanced. Having ownership by the enterprises proper as the principal form of ownership in China's public ownership structure is compatible with China's current level of development of productive forces which is generally low. Therefore, we cannot say it is a backward form of production relations. Third, instituting ownership by the enterprises proper will not make the state economically worse off. The state's tax revenue will not decrease and invested capital construction funds plus interest on the funds can return to the state; on the other hand, the enterprises can acquire robust vitality and vigor, and a series of other reforms can proceed smoothly. Why then should we not proceed with it?

The second relevant question is: Will the success of the state's economic planning be affected? When the enterprises function as owners, they will have a lower degree of consciousness than enterprises under ownership by the whole people in submitting to state planning. However, this will not undermine the planned nature of the development of China's commodity economy because first, state planning, in the form of governmental directives and advisory guidance, which serve to coordinate overall national economic development, can be implemented both in enterprises under ownership by the whole people and in other enterprises under socialist public ownership. Just as production in some collective enterprises can, currently as in the past, be included in state planning, so can production in enterprises under ownership by the enterprises proper, if this is required by the state. Second, if carrying out state plans happens to bring economic losses to enterprises under ownership by the enterprises proper, the state can exercise regulation by using economic levers like taxation, pricing (for example, setting price ceilings or floors for certain products), and credit, or by directly using the material resources of the state sector of economy. Therefore, instituting ownership by the enterprises proper will not disrupt China's path of developing its planned commodity economy.

A third relevant question is: Will the order of labor employment in China be disrupted? Some people fear that with the institution of ownership by the enterprises proper, the enterprises will only employ their own workers' children, while rejecting other qualified personnel, even including those trained by the state. It should be said that in some sense this worry is not completely groundless, but if the state exercises control by means of economic rules and regulations and so on, the order of labor employment will not be disrupted, because out of their need for doing production and operation well in line with their own interests, they cannot afford to reject qualified personnel they really need, and they basically cannot afford to employ those children of their workers who only know how to be "loafers." Problems may occur in the case of those jobs which do not require a great deal of technical or educational training and which many people can do well after some training. Therefore, state intervention in recruitment by the relevant enterprises is still necessary. Thus, the employment of high quality workers can be ensured and the normal social order of employment can also be safeguarded.

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AGGREGATE ECONOMIC DATA

SHANGHAI INDUSTRIAL GROWTH SAID TO'PICK UP SPEED'

OW221122 Beijing XINHUA in English 0741 GMT 22 Oct 86

[Text] Shanghai, 22 October (XINHUA)--Industry in Shanghai, the largest industrial center in China, began to pick up speed after a sluggish growth in the first half of this year.

Production in the 3d quarter and at the beginning of this month shows that the annual growth could reach the anticipated 4 percent, an official from the municipal government said, and the total industrial output value could reach 86 billion yuan.

The total industrial output value in the first 9 months of this year reached 63.9 billion yuan, 2.5 percent over the same period last year.

The best month, so far this year, was September when 7.43 billion yuan worth of goods was produced. That figure is 5.2 percent higher than the same period in 1985.

Though the industrial growth has slowed down, the city government official said, the city's exports have registered the best performances for the last few years, with a big margin increase in the export of bicycles, wrist watches, enamel ware, and knitwear and that of electrical and machinery products increasing by 17 percent over the whole of 1985.

The slow growth of industry also gave the city a breather to readjust the product mix by increasing high-ticket consumer durables and other marketable goods and reducing the products not much wanted on the market, the official said.

The city has made a significant progress in making parts and accessaries for products such as color televisions, household refrigerators and Santana cars, made with imported technology.

Meanwhile, more than 30,000 pieces of machinery and electrical equipment destined for the country's key construction projects, have been produced, hitting more than 80 percent of their targets this year.

But the official said that economic results of the city's industry were still not satisfactory, with less profits and taxes delivered to the state, and there was a trend of rising costs and consumption. Still greater efforts are needed to strive for the 4 percent growth with better economic results, the official said.

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COMMERCE MINISTER'S REPORT ON COMMERCIAL REFORMS

Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 5, 11 May 86 pp 1-6

[Article by Commerce Minister Liu Yi: "Promote Commercial Reform, Bring About Socialist Market Prosperity: taken from the last two parts of its final report at the national Conference of Ministers of Commerce on 16 March 1986]

[Text] Based on the request of the central government and the State Council that in 1986 we continue to undertake the economic task of satisfying the demands of the public, which far exceed supplies, and guarantee a steady economic growth, and based on the guiding principle of the restructuring of the economic system which emphasizes "consolidation, digestion, replenishment, and improvement," this year the main task of commerce will be to promote commercial reforms, enrich and stabilize the market, reinforce the construction of the contingent, and improve the quality of services.

I

In recent years, under the leadership of the central government, the State Council, and party committees and governments at all levels, commercial reform has attained much progress in the following five areas: 1) Gradual relaxation of the purchase and sales policies. By 1985 state monopoly of purchase and sales of everyday consumer goods has been abolished. Centralized and assigned procurement of agricultural by-products has also been abolished. The number of commodities under planned management has been reduced from 188 to 23 categories. Thus the market's regulative role has been expanded greatly. 2) Development of diversified forms of commerce and modification of society's commercial structure. Compared to 1980 the 1985 total value of retail sales of the state-run businesses and the supply and marketing cooperatives has increased 43 percent, and the total value of retail sales of other collective businesses and individual businesses were 2- and 6.8-fold higher, respectively. The proportion of state-run and supply and marketing cooperative businesses fell from 84 to 59.5 percent while the proportion of other collective businesses rose from 12.5 to 17.7 percent, and individual businesses rose from 0.3 to 15.7 percent; other forms of commerce also rose from 3.2 to 7.1 percent. 3) Decentralization of state-run commercial wholesale enterprises to the cities, organization of trade centers and expansion of lateral economic relations. By 1985, all grade-1 stations for manufactured daily goods under the ministry have been decentralized; 86 percent of the grade-2 stations for provicial manufactured goods have also been decentralized. More than 1,600 trade centers, 999 of which are manufactured goods trade centers, have been set up. All wholesale enterprises may purchase and sell their products freely. 4) Decentralization of small state-run enterprises through "reform, convert, or lease" procedures. By 1985, 64,671, or 75 percent, of the small enterprises have been decontrolled. 5) Decontrol of medium and large enterprises. Many enterprises are implementing diversified operating contract responsibility systems internally. Through these reforms urban commerce has from its closed format which had few channels and numerous links and developed an open style with "three mores and one less." Commodity circulation has improved and enterprise operations and managements have also improved. According to estimates by provincial, city, and district commerce departments and bureaus, in 1985 commodity sales value reached 159.8 billion yuan which is an increase of 17,732,000,000 over the previous year, and the realized profit was 7,459,000,000 yuan, a net increase of 2,479,000,000 yuan over last year.

In short, urban commercial reform has taken big strides in recent years to meet the requirements for developing a planned commodity economy and overall restructuring of the economic system. Commerce departments at all levels and staff workers in general are enthusiastic about the reform and have put in much effort. The reform has moved in the right direction and the results are good. But new situations and new problems have also emerged: After the decontrol and revitalization, state-run commerce still clings to some of its closed-form, distribution-style commodity-circulation methods which are incompatible with the needs of the lateral expansion of commodity circulation. In multichannel circulation, state-run commerce's grassroots enterprises lack vitality; some middle administrative levels are trying to retain control which hinders the effectiveness of grassroots enterprises in the market place. Small enterprises are faced with changeable policies which hamper the process of decontrol and revival.

The 1986 urban commercial reform must continue to implement the central government's resolution on restructuring the economic system and implement the spirit of the State Council's Document No 92 (1984). Continue to work hard on the various reforms in progress; enhance the vitality of the enterprises, and actively promote the lateral economic relations of commodity circulation; experiment with new forms of commerce and develop new business channels to further stimulate product flow and bring about a prosperous market.

A. Continue To Energize the Large and Medium-Size State-Run Commercial Enterprises

Nationally there are over 50,000 large and medium-size state-run commercial enterprises which comprise over 40 percent of all commercial enterprises and account for 80 percent of all businesses. They are the backbone of socialist commerce. Experience has proved that when these enterprises are running smoothly, they set the trend and the market will stabilize.

1. Continue to relinquish control over the enterprises and solve the problem of the attempt of middle administrative levels to retain power. After the decentralization of enterprises to the cities, the commercial administrations departments of cities must uphold the principle of separation of business and politics so that the wholesale companies and the large and medium-size retail enterprises can attain independence and autonomy over both supply and marketing and goods and materials. The administrative-type companies of cities should be converted to companies of an operating and management service type. Wholesale units and shopping malls should implement centralized management but independent accounting at different levels of their affiliated wholesale companies and large retail stores, respectively. Medium-size retail enterprises should maintain simple independent accounting. As the enterprises gain more autonomy, they may expand their operation or set up branch stores locally or in other regions.

2. Enhance the capability of the enterprises to improve and expand. A 1985 estimate showed that retained profit of the commercial system was 3.51 billion yuan, an increase of 648 million yuan over the 1983 figure. After deducting the energy and transportation funds, staff and worker bonuses and welfare payments, the retained profit amounted to only 10,000 yuan per enterprise. Commerce generally invests little in capital construction and its fixed assets are small and depreciation allowances limited, averaging about 10,000 yuan per enterprise. There is also practically no funds for technical measures. Therefore there has been little improvement in operating facilities. There is a lack of means to provide new facilities, and the housing problem of the grassroots business workers and staff is acute. Therefore, the state must extend help and implement reforms to enliven the enterprises, improve management, and increase efficiency so that the income of individual enterprises may rise as national income rises. The Financial and Economic Leading Group has agreed in principle to take enterprises into special consideration in reducing or exempting their adjustment taxes. Part of this fund will be retained by the enterprises, the rest will be controlled by the city, the province, and the ministry to be used for subsidizing trade centers, wholesale markets, product-circulation facilities, worker and staff education and for the construction of dormitories for the workers and staff of first-line enterprises in large and medium-size cities. This is an important aspect in helping the enterprises develop lateral relations and in helping them regain vitality.

Since the banks began implementing the "separation of savings and loan accounts," business enterprises must borrow from one account and deposit savings into another account, thus their interest burden has increased. The Finance and Economic Leading Group proposes that banks consider the peculiarity of business funds and make lending and repayment more flexible.

3. Standardize the business administration system and the quality of services gradually to achieve better social and economic results. In the past 2 years, in implementing reforms in contract responsibility system, enterprises have adopted appropriate new systems but the standards of business administration and quality of service have yet to be set. Propaganda and education are needed to

make the cadres and the workers and staff more knowledgeable. Implement standardized management systems and even more important, standardized quality of services. In order to insure compliance, enterprises and personnel have to be inspected. Enterprises which constantly fail to meet the standards may require personnel adjustments at the top. Workers and staff who persistently fail to meet the standards should be penalized according to circumstances and in the spirit of the nation's "Regulations Pertaining to Enterprise Personnel's Rewards and Penalties." Workers and staff who show persistent poor performance, who fail to improve even after re-education, who are bad influences and cause economic losses may be dismissed or put on probation. Salaries and bonuses will be suspended during the probation period but those workers will be compensated according to their work performance. This is an administrative measure which complements the economics of rewarding the hard workers and penalizing the shirkers.

4. Insist on maintaining and improving one's original line of business while permitting integrated operations. As the enterprises gain more autonomy a variety of operation formats are developed. On the whole integrated operations provide good service and good economic results. However, some units shift to profitable trades and abandon their original line of business, crossing over arbitrarily and changing businesses at will. If this practice is not stopped some needed trades will disappear, generating an undesirable mix of businesses and the people will be inconvenienced. Therefore, when enterprises integrate operations they must maintain the original line of business properly. Businesses which provide the people's daily necessities (grocery stores, food stores, and grain shops,) barber shops, public bath houses, repair shops, and restaurants may not change their line of business without permission.

5. Implement a comprehensive retirement fund plan. In 1983, the Ministry of Commerce, with the approval of the Ministry of Finance and the Ministry of Labor and Personnel, published a "Temporary Provisions of the Ministry of Commerce and Affiliated Departments for the Implementation of Comprehensive Management of Staff and Workers Retirement Funds." *This provision has not taken effect anywhere and should be implemented. Small enterprises and collective businesses under authorized management should be included in the plan. Cities with established commerce committees may implement comprehensive plans which cover all businesses, grain sales, and marketing as well as food services (including collective businesses under authorized management). The Ministry of commerce should participate in those areas equipped to implement the type of social planning similar to those in Wuxi City.

B. Continue To Implement Reforms Converting State-Run Small Enterprises into Collective Operations

Decontrolling small enterprises to satisfy the need to be more flexible and to make things more convenient for the people is an important measure in commercial reform. State Council Document No 92 (1984) has made such provisions, but because of certain inconsistencies in the policy and the provisions, they have not been implemented. The main problems are: 1) State-owned small enterprises operated collectively are not deemed collective enterprises but retain the financial accounting system of state-run commercial enterprises and in fact are no different from regular state-run enterprises.

A 1985 estimate showed that for such enterprises the retained profit after tax and after deducting energy and transportation funds and construction taxes was 333 yuan per person, just enough to keep up with staff and worker bonus and welfare payments with no ability to expand. 2) Enterprises converted to collectively owned must repay all state-granted fixed-asset and working capital within 3 to 5 years, during which period a user's fee is charged as an after-tax expenditure. In fact these enterprises cannot afford the expense: 1985 estimate showed that this type of enterprises took out 224.88 million yuan in working capital and fixed capital. If one-half of the enterprise's developing funds are used to pay for the user's fee and repayments, it would take 30 years to repay the whole amount; within these 30 years the user's fee alone will amount to 350 million yuan. 3) Rental payments of small enterprises renting their business is an after-tax expenditure. These enterprises are usually small shops consisting of 3 to 5 people, their capital is small and profit is low. A 1985 estimate showed that the retained profit after taxes for this type of enterprises as a whole was about 10 million yuan; rental payment totalled over 7 million yuan, leaving only 2 million yuan, not enough even for worker bonus and welfare payments. These problems affect the decontrol of small enterprises; those that are decontrolled are unstable and there are some incidents of reversion.

The leading comrades of the State Council have instructed that policies toward small enterprises "should be even more lenient," and according to the decision of the Finance and Economic Leading Group, we must further define specific policies and sum up experiences to perfect those small enterprises that have already been decontrolled and speed up the decontrol of those not yet decontrolled. 1) Enterprises converted to state-owned but collectively operated should adopt the financial accounting system of collective enterprises and submit financial reports according to the original provisions. The contract fee should be reduced by half. One-half of the fee remitted will be made to the commerce department in charge to be used for subsidizing enterprises in financial trouble. The small enterprises to be converted to state-owned but collectively operated in the future should also abide by this principle. 2) Enterprises which have converted to collectively owned may make use of the fixed-asset and working capital granted by the state and make repayments according to the royalty payment provision; this payment is an after-tax expenditure to be made to the commerce department in charge. The repayment on fixed capital will be spent on new networks and facilities; repayment on working capital will be used as working capital of the new networks and outlets. The repayment period may be extended as needed, to be determined locally according to the ability of the enterprises to repay. The user's fee is waived during the repayment period. 3) Enterprises rented out to collectives or individuals should remit rental payments to the state-run commercial administrative department before paying taxes. These funds should be invested back in the businesses that submitted them and special funds should be used for the special purposes for which they were intended. Leases may be renewed upon expiration. Small shops located in remote areas or sparsely populated areas may be sold at a discount if the lessee has the ability to buy, and will be deemed individually owned businesses. 4) If a small enterprise is deemed a collective enterprise, any new asset will be considered collectively owned. Capital for expansion may be raised internally or externally by issuing stocks and dividends will be distributed according to shares owned, following all regulations pertaining to dividend distribution of a collective enterprise. 5) Decontrolled small enterprises should sign a contract with the state-run administrative company specifying responsibilities. The small enterprises must register with the industry and commerce administrative department; after paying all necessary fees, the business may draw on the public accumulation fund and the public welfare funds according to fixed proportions and must not deplete such funds. Prior to full repayment, the enterprises' assets may not be transferred or sold. Business premises may be rebuilt or expanded but must remain business premises; switching to a new line of business or going out of business will require the permission of the commerce department in charge and the industry and commerce administrative department. 6) State-run administrative companies must make sure that small enterprises are in compliance with their contracts, supply them with market information and business consulting services, guide them toward those business and services most needed by society, assist them in perfecting their system, improving operations, nurturing personnel, and improving technology so that they will abide by the law, do business in a civilized manner, and offer quality services.

Service-oriented enterprises, such as barber shops, public bath houses, and food services (including state-run and decontrolled small enterprises,) may implement profit-sharing or surplus-profit-retention wage systems. Wages are before tax expenditure and excluded from bonus category. Concurrently, resume the 2:8 proportion in settling accounts with the finance department, that is, the amount of income tax paid by the enterprises which exceeds 20 percent will be returned by the department of finance and taxation to the commerce department in charge. Businesses which opt for surplus-profit retention will determine an appropriate retention percentage, since exorbitant income is not permitted.

Areas already implementing more successful policies need not change or adopt the above regulations pertaining to small enterprises and food services. Minority nationality regions and economically depressed areas may be more lenient in implementing these policies.

C. Put Wholesale Business System in Good Order; Develop Lateral Relations in Commodity Circulation.

After years of reforms, state-run commerce is beginning to break through the "three fixes" management technique and modify the monopolized wholesale system to allow the coexistence of multiple wholesale channels. Many large and medium-size retail enterprises are also engaging in wholesale business. However, internally state-run commercial wholesale business is still disorganized; the operating format has not changed and too many links still exist in the system. Further reforms must be implemented.

1. Encourage local factories to participate in wholesaling products. Industries are turning from manufacturing to production management and it is common for industrial enterprises to set up their own sales channels. They establish direct contacts with wholesalers and large or medium-size retailers in the sales areas, doing business directly. This eliminates unnecessary links, speeds up circulation, and produces better economic and social results.

Commercial wholesale enterprises in the sales areas should be encouraged to buy directly from factories in the production area and be given a free choice of factories to buy from.

2. Commercial wholesale enterprises in the production area must adapt to the new situation to become more management-and service-oriented, and adopt the principle of doing business and offering services at the same time. They should put to best use their integrated operation, better product circulation, and better information advantages. Wholesalers in the production area must meet the needs of the markets, manage local products vigorously, and offer commission sales, joint sales, joint operations, or consignment sales. Commerce in the production area must emphasize service when local factories wholesale their products directly. All commercial wholesale enterprises should penetrate markets throughout the country. Wholesale enterprises set up to handle different commodities must concentrate on their own trade. Sales and purchases of the planned commodities, and the transfer of manufactured goods for the nine remote border provinces and outlying districts will be arranged jointly by the state planning commission and the Ministry of Commerce. The plan will be handed down to the planning commission and the commerce administrative department in the production area and in turn will be handed down as directive plans in accordance with commodity marketing channels to be implemented by the commercial wholesalers and industrial enterprises in the production area. This reduces links and improves circulation of the planned commodities. Commercial wholesale enterprises in the production area should no longer deliver, financial quotas according to the old base figures but should calculate their income taxes and adjustment taxes according to the new conditions.

3. Set up trade centers and wholesale markets. Trade centers serve as multipurpose exchange grounds for the wholesale of social commodities; they are centered around urban areas and are central links in the development of lateral economic relations. Trade centers should emphasize the fact that they are accessible and service-oriented, and through commodity exchange conferences attract local and foreign industrial and commercial wholesale enterprises as well as state-run, collective, and individual retail enterprises and volume purchasers, and bring together the producers and the marketers. Trade centers are separate accounting units, they mainly offer a service but may also operate their own business in the interim period, that is, they are a service management type business. Trade centers should undergo consolidation and rectification, those establishments not living up to their names should not be allowed to stay in business.

Before the busy fall season, large and medium-size cities should set up wholesale markets for pork, poultry, eggs, vegetables, and other nonstaple foods, as well as wholesale markets integrating agrocommercial markets to serve as direct sales outlets and multichannel supply grounds for the producers. State-run and collective retailers and individual merchants as well as organizations, schools, enterprises, and other consumption units may purchase from these wholesale markets.

4. After the decentralization of the wholesale stations to the cities, wholesale companies should be set up according to the principle of "making fine differentiations between specialties" and these wholesale companies should also be managed internally, differentiating specialties. If two similar

state-run wholesale companies do business within the same city and their operations overlap, they must delineate clearly their separate market responsibilities. All wholesale companies must drastically modify their concept and ideology, their operating methods and workstyle. Local departments of commerce should not interfere with the everyday operations and activities of businesses to give free rein to the enterprises.

5. In the past 30 years, through their administrative and management abilities the provincial and prefectural companies dealing with manufactured goods have been very successful and have contributed much to economic construction and market arrangements. In accordance with the nation's trend and needs in restructuring the economic system, and based on the needs of a planned commodity economy to make best use of the urban centers, the State Council's Document No 92 (1984) has decided to decentralize the wholesale enterprises directly under the ministry, the provinces, and the prefectures, and eliminate all administrative type companies. During the last 2 years, enterprises have been put under a lower administrative level, but the provincial and prefectural companies linger on. Recently leading comrades of the State Council instructed that steps should be taken to solve this problem without further delay. First, suspend the original functions of the provincial and prefectural companies immediately. Second, within a set period of time, make suitable arrangements for the personnel. Third, during the interim period all expenses will be drawn from the business income of others at the same financial level. We must implement these instructions diligently. We can refer to the methods used in some areas whereby provincial and prefectural companies handling manufactured daily goods are abolished and converted into an internal organization within the commerce department or bureau. Special attention must be paid to make best use of the personnel: they can work for the organization, work in the economic entities, or work in another department. Personnel arrangements must be made in earnest, and the deadline may be set by the individual province and district. Retirements should be handled according to normal procedures. Enterprises will be disengaged from the provinces and prefectures and turned over to the cities. Statistical and financial reports originally handled by the provincial and prefectural companies must be delivered according to regulations without fail. There should be further efforts to make improvements. Wholesale enterprise and organizational reforms in the remote and border provinces and districts will be decided by the provincial and autonomous region governments based on their own commodity circulation characteristics.

D. Actively Experiment with New Forms of Commerce

In order to adapt to the rapid developments of the planned commodity economy, we must vigorously develop and promote lateral economic relations based on the enterprises, relations which emphasize commodity procurement and marketing as well as service, and are supported by the urban centers. Within the enterprises, towns and villages, and regions and departments, develop heterogeneous forms of integration between industries and commerce, between agriculture and commerce, between agroindustry and commerce and even among commercial operations and select the best form of integration according to circulation capabilities. This integration should base on the objective law of commodity circulation, on the principle of mutual benefit and collective progress, and should be in the basic form of integration between enterprises as well as between production and marketing. Commerce departments at all levels must actively sum up the experience of lateral economic relations of commodity circulation and extend their correct guidance, encouragement, and support. This year begin experimenting with the following forms of commerce:

1. Experiement with and develop a form of commerce integrating manufacturing and commerce. Implement a system of joint operation under the principle of mutual benefits between the factories and the wholesalers in the production area, or between factories and wholesalers in the marketing areas. This reduces linkages and speeds up product circulation.

2. Experiment with setting up interregional and interdepartmental conglomerate enterprises integrating the manufacturing and marketing of durable consumer goods.

3. Experiment with interregional joint-operation forms of commerce. Initiate joint operation of production and marketing of nonstaple foods, such as pork, poultry, eggs, fruits, and vegetables, in the major production and marketing areas. This form of joint operation whould be set up between city and county, or between two countries, or between two enterprises in the production and the sales areas. The higher level departments may participate in guidance and support but should not become another link in the operation. Joint operations would bring higher income to the farm workers in the production areas, stimulate production, and in turn would support the market areas more effectively.

4. Initiate and develop business integration between wholesale and retail enterprises. At present some large-scale retail and department stores have set up national commercial associations or economic associations of large department stores and retail enterprises. Because they have the advantage of joint action, they buy directly from the factories and implement a system of joint procurement and independent marketing in wholesale business. They exchange market informations and business management experiences, and develop a new lateral relation among themselves. This year large retail stores dealing in department store merchandize, hardware, jiaodian [0074 7193], household electrical appliances, manufactured chemical products, textiles, garmets and nonstaple foods, may adopt this format. Small-goods and specialty retailers and self-service markets may also organize this type of joint operations.

5. Open more state-run commercial facilities to the public. During earlier reforms some commercial facilities, including warehouses, cold storages, cars, ships, special reserved routes, reserved docks, repair plants, product-quality-inspection facilities, and others have already been opened to the public. The results have been good. This year regional planning should be implemented so that concurrent with assuming the tasks of commerce and making improvements, the state should open more facilities to the public and offer quality service at a reasonable price.

The basis of experimenting with new forms of commerce is to stimulate business, especially large and medium-size enterprises. We must uphold the principle of mutual benefits and collective progress. Guidance should be enhanced to ensure that the needs of the nation's macroeconomic developments are met. Local conditions should be taken into consideration and suitable forms adopted based on differences in product characteristics and trade characteristics. Avoid overgeneralization and never take administrative measures that interfere. The present administrative type companies must not pretend to be joint organizations by merely hanging up a different sign.

In order to develop the lateral relations in commodity circulation, there should be free communications and no obstacles between the provinces and the district, among the large, medium, or small cities and between cities and villages. Guarantee enterprise autonomy and their right to determine their own sales and purchases, except where planned commodities are concerned.

II

There are 14.56 million staff and workers engaged in commerce and related areas, among these 4.65 million are older staff and workers and 9.91 million are young people, with 3 million of the staff and workers having high school or better education; this is an ideal age and educational structure. These workers and staff work long and hard and have contributed much to socialist construction and to the restructuring of the economic system. Undoubtedly the commerce contingent on the whole is good, but it lacks uniformity and quality. Some comrades look down on commerce, they are not satisfied with this line of work; some comrades lack revolutionary and pioneering spirit; some comrades infringe on the welfare of the country and the people, and a few even violate law and order and engage in embezzlement, corruption and bribery, smuggling, and trafficking. Therefore, an urgent task before us is to reinforce the structure of the contingent, improve its quality, rectify business worksytle, and improve the quality of services.

The leading comrades of the central government and the State Council have repeated their instructions, but because of our own failures we have not attained satisfactory results. Recently the CPC Secretariat again request that we investigate and study and draw up a definite program. We must investigate diligently, sum up the experience and bring out any suggestions for rectifying and enhancing the construction of the contingent. From now on we must concentrate on the following tasks:

A. Reinforce ideology and political work and launch ideological education emphasizing the need to serve the people. At present, many people are dissatisfied with the quality of service of business personnel and some business people are unhappy about it. Business people must first understand the importance of serving the people and act accordingly before people will admire them and respect their work. This is the focal point of ideological and political work.

B. Reinforce nurturing and training. Starting with the cities and counties, launch business ethics education and professional skills training to improve service and promote the practice of doing business and offering services in a civilized manner.

C. Enhance labor management. In business the attitude of the work force is reflected clearly in the quality of its service. This problem can be solved by emphasizing labor management. When bonus funds diminish, the economic means to reward the diligent and penalize the shirkers weakens. This year's standard of services will rely mainly on rigid political and ideological work. At the same time, rewarding the diligent and penalizing the lazy will depend on a combination of economic and administrative measures. Establish strict labor discipline. Exemplary workers and progressive personnel should be commended and encouraged; those who violate discipline must be penalized.

D. Gear yourselves to the needs of the grassroots and show concern for the welfare of the staff and the workers. Leading commercial organizations at all levels must serve the grassroots, the workers, and the staff, and look into their everyday problems. A practical and realistic set of policies and measures should be developed to solve problems, problems like daycare, food services, housework burden, and retirement funds. Integrate ideology and political work with the true concern for worker welfare and bring the workers' positive factors into play.

E. Banish the trend of unhealthy practices in commerce, practices which alienate the people, practices like arbitrary price increases, dishonest merchandizing, and selling public goods for private gains. Set strict standards in investigating and handling major and crucial economic crimes and emphasize the seriousness of financial and economic discipline.

F. Reinforce the formation of leading groups at all levels and install cadres who are diligent in ideology and political works. Concentrate efforts on insuring that ideology and political work produce results. Special attention should be paid to the construction of grassroots party organizations. Recruit party members according to the regulations of the party constitution; broaden the regulations of the regular activities of the organization, and manifest the role of the party organization as the fighting bastion and the role of party members as vanguards.

12986/9869
CSO: 4006/1240

ECONOMIC MANAGEMENT

NATION MOVES TO IMPROVE PATENT SYSTEM

New Regulations

OW021016 Beijing XINHUA in English 0805 GMT 2 Nov 86

[Text] Beijing, 2 November (XINHUA)--Drawing up new supplementary regulations, training more professionals and modernizing management are the main efforts China is making to improve its patent system, an official said here today.

Huang Kunyi, director of the Chinese Patent Bureau, told a national meeting on patent work that opened today that regulations governing the protection of patents of organic engineering, computer software, medicines, chemical materials and other advanced technology are being formulated to complete the country's patent laws.

China is also considering to participate in some international patent organization, he said. But he did not elaborate.

"Patent work in China is proceeding smoothly since its first patent law went into effect last April," he said, adding that the applications at his bureau this year could reach 17,000. He estimated that 3,000 more applications would be added in each of the next five years. By 1990, 80,000 to 100,000 applications will be announced and 30,000 to 40,000 certificates issued. [figures in sentence as received]

To keep up with this, Huang said, the Chinese Patent Bureau is to establish a nationwide computer system and a data center indexing all the international patents. And the bureau also plans to set up a training center for patent professionals in Yantai, a coastal city in East China's Shandong Province.

Though a nationwide patent work system containing judicature, administration and data service has been established, "yet much more work has to be done to perfect it," the director said.

Now China has 94 patent administrative offices and 300 agencies.

More Inventions Inspired

OW071104 Beijing XINHUA in English 0646 GMT 7 Nov 86

[Text] Beijing, 7 November (XINHUA)--The implementation of China's first patent law, which went into effect last April, has triggered several first-class inventions, an official said here today.

"Some of our patents are really great," said Shen Yaozeng, deputy director of the Chinese Patent Bureau. One important medical invention is a microcomputerized pulse regulator used in the treatment of coronary heart disease. "Devices of this kind now used in other countries are used internally and require an operation on the thigh to insert a half-meter long tube directly into the patient's artery, which is traumatic for the patient," the deputy director explained.

The Chinese one, invented by a professor in Guangzhou's Zhongshan Medical College, is used externally and needs no operation. Since its functions are computerized, the instrument is more sensitive to cardiac change. After more than 100 clinical tests, it has proved to be effective.

"Businessmen from Singapore and the United States have asked for transfer of the patent rights," Shen told XINHUA.

"China's patent law has also helped develop new varieties of existing products with innovative characteristics," he said, citing a car muffler patent which can reduce engine noise by ten decibels and oil consumption 5 to 9 percent.

According to Shen, car mufflers presently used outside China increase oil consumption while reducing noise.

Several new inventions have become foreign exchange earners. The East China Chemical College has developed an inexpensive substitute for a rare catalytic agent, which is being exported to the United States and could bring in two million U.S. dollars. The Federal Republic of Germany and Malaysia are also potential buyers.

As of the end of this September, the Chinese Patent Bureau has issued a total of 2,024 patent certificates, and experts speak highly of the new law saying, "it has helped tap people's initiative."

Huang Kunyi, director of the Chinese Patent Bureau said, "Much more work has to be done to perfect China's patent system in terms of laws, regulations, and advanced management."

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CSO: 4020/40

CONTROLS ON STEEL PRODUCTS DEALING RELAXED

HK051542 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 3

[By Wang Xiangwei]

[Text] The Central Government has decided to loosen its grip on dealings in steel products in the current reform of the management of industrial materials.

Rolled steel used to be classified as "strategic material" that fell under the tight control of the state. On the list were also timber, cement, and chemicals.

In the new move, Beijing opened a material trading centre earlier this month to promote both spot and future trading of metals, electric machinery, automobiles, timber, chemicals and textiles. In the market, prices float according to demand.

Such trade centres will serve to smooth out the circulation of the commodities which have been confined within the state mandatory economic plans and gradually enliven the market for production materials," an official from the State Administration of Supplies told BUSINESS WEEKLY.

Though rolled steel has for a long time been in short supply, the centre now offers more than 6,000 tons for sale, together with 3,000 trucks, jeeps and cars. According to trade officials, some of the materials came from participating enterprises who, in a fear of shortages, had excessive stocks; others are supplied by manufacturers who, after fulfilling the state quota, got permission from the state to trade their surplus products for needed materials or for cash.

Ling Yuxun, director of the State Administration of Supplies, said that more than 400 such trade centres had been established in China.

To some extent, he said, these centres had helped case the shortage of supply for coal and timber, too.

He said it was important to form the steel market which could serve as a breakthrough in the reform of the circulation of production materials.

In the old system, an enterprise which needed steel products had to wait for an allocation by the state while surplus steel products in other places were unavailable because of the prohibition on public trading.

That had given rise to a flourishing black market. Sometimes the steel products could be sold at several times the state price.

Meanwhile manufacturers of steel products took little interest in production of quality products which had to be sold at the fixed price set by the state.

"The only solution to these problems is to open the steel products market and let the products be traded on the counter," said an official from the Beijing centre.

According to the Beijing based newspaper METALLURGY NEWS, the shortage of steel products will be eased in the remaining two months of this year. Those used for building industry will even face sluggish sales because the state had taken strict measures to restrict investment in construction.

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CSO: 4020/40

RETAIL SALES FIGURES TREND BOOMING UPWARD

HK040855 Beijing CHINA DAILY in English 4 Nov 86 p 2

[By staff reporter Tian Ying]

[Text] China's retail sales enjoyed a boom in September and the trend is expected to continue through the last quarter of the year.

Retail sales reached 38 billion yuan ($10.3 billion) in September, an increase of 20 percent over the same period last year, according to Zhang Yuansheng, Director of the Consumption Division of the Economic Forecasting Centre under the State Planning Commission.

The increase was due to a larger than usual market demand during the several holidays in the period, Zhang said.

Recent price increase on famous brand products, including bicycles and refrigerators, have stimulated purchases of some stockpiled brands. Demand for ordinary bicycles has gone up, Zhang noted.

Better salesmanship that has accompanied the economic responsibility system and the practice of leasing now allowed in commercial trade have also increased retail sales, the director said.

According to Zhang, the country's retail sales are expected to reach 49 billion yuan ($13.3 billion) this year, a 12 percent increase over last year. "However, the consumer buying power has not been fully realized," Zhang said.

Many Chinese believe foreign commodities are superior. And many of these people have money in their pockets. But China's imports of durable products, including colour television sets and refrigerators, cannot meet the demand, Zhang said.

The best way to solve the problem, he said, is to improve the quality of domestically-made products and develop new varieties to attract buyers.

Zhang said that he does not expect the increasing purchasing power to become a pressure on the domestic market.

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CSO: 4020/40

COMMENTARY SAYS ENGINEER WRONGLY PUNISHED FOR 'MOONLIGHTING'

OW290908 Beijing XINHUA in English 0832 GMT 29 Oct 86

[Text] Beijing, 29 October (XINHUA)--Chinese enterprises must respect the government's policy of allowing experts to moonlight for extra money, the PEOPLE'S DAILY said in a commentary today.

The paper is responding to the case of a moonlighting engineer being punished by authorities of the Beijing Iron and Steel Complex in defiance of a ruling by an intermediate people's court.

The authorities are merely being "stubborn," said the commentary, but their perceived dignity must give way to government policy.

Early last year, Engineer Zhao Jianyun provided information and technological services to local enterprises which paid him 10,000 yuan (US$2,700) in return, the paper said. But at the end of the year, complex authorities took him to the local court, which convicted Zhao of swindling and sentenced him to three years imprisonment with four years probation. Following the ruling, the authorities stripped him of his party membership, according to the paper.

Last May, the Beijing Intermediate People's Court reversed the decision of the local court and acquitted Zhao. Authorities at the complex, however, have rejected the court's ruling and are still punishing Zhao and issuing circulars charging Zhao as performing corrupt activities under the guise of providing technological and information services to the local enterprises, the paper said.

The case has become a popular topic in the city, but the State Commission of Science and Technology has clearly stated that moonlighting is acceptable, said the paper.

The government policy which allows experts to moonlight is one which "kills two birds with one stone," the paper said, adding, "for it taps the potential of the specialists and helps the small enterprises which are often technologically weak," the paper said.

"Those accustomed to the 'big pot' system are naturally jealous of the extra income of the specialists," the paper said.

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CSO: 4020/40

ECONOMIC MANAGEMENT

BRIEFS

SICHUAN BOOSTS OVERSTOCKED SALES--Since the beginning of this year, due to changes in the market, some industrial products of the province were seriously overstocked. To deal with this situation, the provincial people's government promptly adopted practical measures and resolutely readjusted the product structure to strive for producing marketable ones. Thus, the commercial departments at all levels strengthened their work of promoting sales by organizing trade fairs and exhibitions. At the same time, they made full use of the opportunity of the brisk autumn market and promoted the sales of industrial products in the rural areas. By the end of September, the province totally consumed the 1,100 tons of overstocked canned mushrooms and the 20 million tubes of toothpaste. The growth rate of black and white TV sets was so quick that its volume in stock has dropped back to the normal level. Sales or radios, white spirits, garments, shoes, washing machines, and cloth also became brisk. In key cities and the northwestern part of the province, the sales of motor vehicles was also invigorated. Therefore, the province has begun easing the situation of having seriously overstocked industrial products. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 23 Oct 86 HK] /12232

JILIN FACTORIES FOR DISABLED--Changchun, 25 October (XINHUA)--The Jilin Provincial Government has built over 870 factories in recent years, employing 17,000 disabled people, an official of the provincial Civil Affairs Department said today. This has brought the number of people classified as "disabled with capacity for physical labor" employed in the province to 96 percent, the official said. The disabled consider their social status and living standards greatly improved after being employed. Many of them have been awarded the title of "Advanced Worker" or "Oustanding Communist Youth League Member." Some were selected as municipal deputies. A disabled worker, Li Jiafu, has invented a detector for use in locating underground metal pipes which was greatly needed in this field in the country. At present, China's 15,000 welfare factories and workshops employ 230,000 disabled people. More than 70 percent of the handicapped people in urban areas have suitable jobs, and some cities, such as Dalian, Wuxi and Shijianzhuang, are employing nearly 100 percent of their disabled residents. State enterprises can enjoy tax breaks if they open welfare factories or workshops. [Text] [Beijing XINHUA in English 0825 GMT 25 Oct 86 OW] /12232

OFFICIAL REPORTS ON APPLICATIONS--Beijing, 1 November (XINHUA)--China has received 28,963 patent applications since its first patent law went into effect last April, an official said here today. Two thirds of the applications have come from Chinese government departments, universities or industrial enterprises. Almost 10,000 applications were received from 47 countries and regions. "The situation well illustrates that the patent law has not only helped kindle people's enthusiasm for creation and invention, but has also encouraged the importing of foreign technology," said Huang Kunyi, director of the Chinese Patent Bureau. Huang said, the Chinese Patent Bureau had issued, after examination, a total of 2,024 patent certificates as of the end of September. Statistics from the bureau show that about half of the authorized domestic patents are being applied in factories and enterprises and they've shown good economic results. A survey conducted by the Beijing Municipal Government reported that 75 patented products have produced profits of more than 14.2 million yuan (US$3.8 million). The East China Chemical College developed an inexpensive agent for use in making pottery. The new method is being exported to the United States and could bring in US$2 million. [Text] [Beijing XINHUA in English 1452 GMT 1 Nov 86 OW] /12913

CSO: 4020/40

BRIEFS

DRAFT CASHING, DISCOUNT SERVICE--Hefei, 26 October (XINHUA)--The industrial and commercial banks in the Shanghai Economic Zone recently have inaugurated trans-regional draft cashing and discount services, and thus facilitated the efforts of enterprises to invigorate their operations. [By reporter Chen Baoshan] [Excerpt] [Beijing XINHUA Domestic Service in Chinese 0049 GMT 26 Oct 86 OW] /12913

CSO: 4006/102

XINJIANG LEADERS INSPECT MINING BUREAU

HK171005 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 15 Oct 86

[Excerpts] On 13 October, Wang Enmao, vice chairman of the National CPPCC Committee and director of the regional advisory committee, and regional party and government leaders Song Hanliang, Tomur Dawamat, Janabil, Zhang Sixue, and (Jin Yuanhui) made a special trip to (Keketuohai) to conduct a two day inspection of the (Keketuohai) mining bureau under the Xinjiang nonferrous metal industry company. They fully affirmed the results achieved by the mining bureau in developing the nonferrous metal industry over the past few years, and encouraged the staff and workers of the bureau to exert continue efforts so as to make new contributions to the rapid development of the nonferrous metal industry in the region.

During the inspection, Wang Enmao, Song Hanliang and Tomur Dawamat visited in the rain the (Kelatongke) copper mine, the region's priority project during the Seventh 5-Year Plan and the region's largest nonferrous metal mine.

They also visited the (Keketuohai) hydropower station, the No. 1 mine and the mining site of the No. 3 mine under the (Keketuohai) mining bureau, the (Keketuohai) geological specimen office, the (Keketuohai) nonferrous metal general plant, and the (Keketuohai) aluminum plant: listened to work reports given by leaders of the Xinjiang nonferrous metal industry company and the (Keketuohai) mining bureau on the strategic thinking for developing nonferrous metal industry in Xinjiang: and fully affirmed the 24-character principle put forth by the (Keketuohai) mining bureau, namely, promoting the development of rare metal industry; vigorously developing the nonferrous metal industry; comprehensive use; in-depth processing; diversified operation; and raising economic results.

On the afternoon of 14 October, Wang Enmao, Song Hanliang, Tomur Dawamat and other leading comrades met with retired cadres, representatives of workers, and cadres above the section level in the (Keketuohai) mining bureau and spoke.

Comrade Wang Enmao also wrote some words of encouragement for the mining bureau: carry forward the spirit of working hard, develop the rare nonferrous metal industry, and continuously make new contributions to the building of national defense and economic construction.

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CSO: 4006/102

INDUSTRY

STATE SHOWS CONCERN FOR MAANSHAN STEEL OPERATIONS

OW050615 Hefei Anhui Provincial Service in Mandarin 1100 GMT 4 Nov 86

[Excerpts] Principal leading members of the State Planning Commission, the Ministry of Metallurgical Industry, and Anhui Province have jointly set up an office in Maanshan City. They have worked together to study how to solve major problems at the Maanshan Iron and Steel Company during the Seventh 5-Year Plan and the early period of the Eighth 5-Year Plan.

Liu Suinian, vice minister in charge of the State Planning Commission; Qi Yuanjing, minister of metallurgical industry; Wang Rulin, vice minister of metallurgical industry; Wang Yuzhao, governor of Anhui Province; Zhang Dawei, vice governor of Anhui Province; and other leading comrades recently made a special trip to Maanshan City to study the site for a 2,500-cubic-meter-large blast furnace for the Maanshan Iron and Steel Company, the wharf, the sintering plant, and construction along the river. They expressed approval of the Maanshan Iron and Steel Company's plan for promoting production during the Seventh 5-Year Plan. In June this year, the Maanshan Iron and Steel Company put forward its goal of producing 4 million metric tons of pig iron, 3.2 million metric tons of steel, and 2.67 million metric tons of steel material per annum by 1992.

At the joint office, the leading comrades of the State Planning Commission and the Ministry of Metallurgical Industry held that the Maanshan Iron and Steel Company's geographical conditions are quite good, and there is great potential for further development. As long as we work hard, the company has conditions for joining the ranks of 10 million-metric-ton-class iron and steel complexes. As to the problem of shortage of funds, it can be solved through obtaining loans, raising funds itself, or the issuance of stocks.

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CSO: 4006/101

INDUSTRY

AUTO INDUSTRY RESTRUCTURING TO BOOST CAPACITY

HK310303 Beijing CHINA DAILY in English 31 Oct 86 p 1

[By staff reporter Xu Yuanchao]

[Text] The Chinese auto industry is being restructured in a bid to increase the percentage of China-made vehicles on the road, according to the president of the China National Automotive Industry Corporation.

Although the plan has not yet received final approval from the central government, experts have deliberated over it for several months. It calls for merging 24 of the country's 39 major auto factories into three independent companies. The other 15 will be turned over to local governments.

The goal is to increase the industry's annual output to 2 million vehicles by the year 2000, five times last year's output.

Chen Zutao, the corporation president told CHINA DAILY yesterday that the three divisions will be centred in Jilin, Hubei, and Shandong provinces. Each will set its own production targets and will design and manufacture vehicles independently according to the needs of the market.

Last year China turned out 400,000 motor vehicles, of which 98 percent were trucks. This high proportion of trucks does not tally with the needs of the national economy and many remain unsold, Chen said.

Chen said that the proportion of heavy-duty vehicles above eight tons should be increased to 10 percent from the current 5 percent. Production of vehicles between five and eight tons should drop to 20 percent from 51 percent. The proportion of light and mini vans below three tons should be increased to 70 percent from the present 44 percent. This rearrangement will be finished in the next 15 years.

Thirty years ago, Chen recalled, the first China-designed motor vehicle was produced. The State put up 600 million yuan to set up the Changchun Number 1 Motor Vehicle Plant in Jilin Province with the aid of the Soviet Union. In following years, the state made more than 200 million yuan of investment in the plant, which became a mainstay in the country's auto industry and turned over 6 billion yuan in profits and taxes annually to the State.

Since the early 60's, China has developed its auto industry substantially relying on its own resources. But the industry is still backward. Production does not meet demand. The ability to develop new models is at a low level and quality is poor.

"Obviously," Chen said, "We need to introduce up-to-date technology and equipment. We also need to introduce management expertise from abroad."

He said that some large joint ventures are contemplated to manufacture vehicles for export, similar to the present arrangements with American Motors and Volkswagen of West Germany.

"If possible, we expect to establish new companies to produce passenger cars for the domestic market," he added. He estimated that motor vehicles production this year may drop to about 350,000 units compared with last year's 400,000.

Corporation officials said earlier that the reduction is the result of overstocking of imported passenger vehicles and of China-made vehicles, as well as of fuel shortages.

The State has decided to replace obsolete vehicles with new ones and the stockpiles of vehicles are expected to be reduced. Officials said that they are still optimistic about the prospects of the auto industry.

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CSO: 4020/40

INDUSTRY

GUANGDONG'S MAOMING OIL COMPANY DOING WELL

HK211129 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
10 Oct 86

[Text] In the first 9 months of this year, the Maoming Petroleum Industry Company turned over a total of more than 430 million yuan as profit and tax to the state, the highest record for the same period of time in history. This 30 year-old enterprise imported a hydrogenation chlorination device from Japan in late 1982. With this equipment, the company had produced a total of 1.41 million tons of superior quality oil products by the end of August this year and turned over to the state a total of 284 million yuan as profit and tax, an equivalent of 154 percent of the total value that the state had invested in this set of equipment. Importing a set of paraffin production equipment from the United States, the company has raised its paraffin production potential and upgraded the quality of its paraffin products up to the requirements of the international market. The company can export over 10,000 tons of paraffin a year. The company has also invested over 70 million yuan to launch a project of overall technological transformation of its existing oil refining equipment. Now the company possesses an oil refining system with a complete range of processing means and relatively advanced technology, its annual crude oil processing capacity has been raised from 5 million tons to 6 million tons, and its variety of products increased from over 60 to over 120. The profit and tax turned over by the company to the state increased at an average rate of 50 million yuan a year in the last 3 years.

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CSO: 4006/101

INDUSTRY

BRIEFS

ETHYLENE PLANT PUT INTO PRODUCTION--After a period of examination and repair, the 300,000-ton-ethylene plant in Daqing City, which was built as a first-phase project, was put into normal production on the eve of the National Day. Thus, the Daqing Oil Field has established a large petrochemical production base including the industries of oil refining, chemical fertilizer, and ethylene. The large oil refinery with 5 million tons of annual processing capacity can turn out 26 products of 11 kinds, including fuel oil, lubricating oil, gasoline, fertilizer, and paraffin wax. The (Yuanhou) fertilizer plant can turn out 360,000 tons of synthetic ammonia annually, 480,000 tons of carbamide, and 110,000 tons of nitramine. The petrochemical production base has now accommodated more than 30,000 staff members and workers and had more than 50 large types of petrochemical industrial production equipment. After completely building the second-phase project of the ethylene plant, the petrochemical production base of the Daqing Oil Field will realize more than 3 billion yuan in annual output value and 1.2 billion yuan in annual profits and taxes handed over to the state. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 30 Sep 86 SK] /12858

UPGRADING QUALITY OF LIGHT INDUSTRY--Beijing, 6 November (XINHUA)--Upgrading the quality of household appliances will be the focus of China's Light Industry Ministry in the current 5-Year Plan period (1986-90), a senior official said today. The official said the ministry's factories produced 29 times more refrigerators and 31 times more washing machines in 1985 than in 1980. China is now the world's leading producer of electric fans and washing machines, he said, and is one of the leaders in production of electric boilers, refrigerators and irons. But the quality of its products is not as high as should be,' said the official. It has to think more about quality and variety than about output to compete on foreign markets and meet the growing domestic demand for high-quality goods, he added. By 1990, he said, the ministry's refrigerators and washing machines "should be as good as any in the world"--and be made primarily with domestic parts. The official said 3 percent of all one year old Chinese refrigerators are defective enough that they have to be returned to factories--ten times more than are normally returned in developed countries. [Text] [Beijing XINHUA in English 1600 GMT 6 Nov 86 OW] /12913

CSO: 4020/40

CONSTRUCTION

MINISTER REVEALS PORT CONSTRUCTION PLANS

HK290154 Beijing CHINA DAILY in English 29 Oct 86 p 1

[By staff reporter Hu Sigang]

[Text] Shanghai--China's Minister of Communication Qian Yongchang said yesterday the country was putting greater efforts into port construction as an important step to speed up the nation's economic development.

The Minister said a total of 200 new berths would be built during the new 5-Year Plan starting this year. They include 120 deep water berths of above 10,000 ton class and 80 medium-sized berths of below 10,000 ton class.

"It is a strategic point in the country's economic construction," said the Minister, who is disturbed by the congestion in some Chinese ports.

"Harbour conditions in China are still comparatively backward. Their capacity, facilities and management can hardly keep pace with increasing demand," he said. "In the harbours of the developed countries, the berths are waiting for ships, while in China, ships are waiting for berths."

He expressed the wish that during this development China would like to draw on experiences abroad.

These remarks were in a welcome message to representatives from the ports of Shanghai, le Havre, Melbourne, Osaka and San Francisco at the start of a four day Friendship Port Seminar.

During the seminar which started in Shanghai yesterday the representatives will discuss the formulation of a strategic plan for 21st century's port development and links between port development and associated city or region development.

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CSO: 4020/40

CONSTRUCTION COMPANIES COMPETING IN WORLD MARKET

HK051544 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 1

[By Shen Ji]

[Text] China's construction contractors have embarked on their eighth year in the world market amid concern that increasing competition between the various Chinese companies in damaging them.

Last August, the China Fujian Corporation for International Techno-Economic Cooperation won a $627,000 bid in its debut in Hong Kong. Meanwhile, China National Complete Plant Export Corporation won an $8 million project in Mauritania, the first for China there. And the China road and bridge Engineering Company won a $23 million Sana-Tazez Highway renovation project in Arab Yemen, in conjunction with a West German company.

These are from a total of 452 contracts totalling $899 million China won in the first eight months of this year compared with 3,467 contracts totalling $6,074 million over the past eight years.

The government's target for this year is more than $1,960 million but foreign trade ministry officials are apparently skeptical of the chances of meeting it.

In the shrunken market of recent years, contracts won by the top 250 international contractors have shrunk from $129.9 billion in 1981 to $81.6 billion last year.

The deterioration of the oil market has forced deeper cuts in the budgets of the oil producing countries, reducing both their project orders and their aid to other developing countries.

China has a firm foothold in the market for world contracts. Many companies have grown from being mere suppliers of labour, or junior partners in schemes to being independent contractors.

They have been active in 88 countries and regions in civil engineering projects involving communications, power and petrochemical plants, harbours and other water works and related schemes.

Chen Guanting, a foreign trade official, said: "Our consistent goal is to absorb advanced foreign technology and management in construction, boost domestic exports and accumulate funds for national development."

Faced with the decline of old markets, the Chinese contractors, which total 67, have stepped up efforts to find new ones and in the first six months of this year have broken into the Soviet Union, Vanuatu, Central Africa, and North and Latin America. They are concentrating mainly on the Third World where the Chinese built up a good reputation over almost three decades of Government-financed foreign aid projects up to 1979.

But as the long term strategy develops, there are other immediate problems. Ai Rusong, director of the planning department at the China International Water and Electric Corporation, said: "The priority at the moment is to strengthen the coordination between different domestic companies to prevent further suicidal competition."

Of the companies, 32 are attached to provinces, municipalities, and autonomous regions and the other 35 are run by ministries under the State Council.

The rivalry is such that in Guam last year there were nine Chinese companies fighting for one contract. And in Nepal, in 1984, on two separate contracts each worth $20 million, the three top bidders were all Chinese who competed to force the price down, a contract company source said on condition he was not named.

He called for strong government coordination of the companies with each developing special areas of expertise. But this was rejected by representatives of various provincial companies at a seminar on overseas contracts in Lanzhou, Gansu province. They said only competition could bring vitality.

An official at the Ministry of Foreign Economic Relations and Trade, which deals with this contract business, said: "As international competition is inevitable, competition among Chinese companies is normal. Winning a contract is better than missing it. Loss-making is acceptable if you want to break into a new market."

He said measures would be taken to curtail the present level of competition, which was abnormal. Cooperation and specialisation would be encouraged. Contract experts said this would curtail the present level of competition, which was abnormal. Cooperation and specialisation would be encouraged.

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OFFICIAL DESCRIBES SHANGHAI'S EXPANSION PROGRAM

OW270350 Beijing XINHUA in English 0249 GMT 27 Oct 86

[Text] Shanghai, 27 October (XINHUA)--A general program for Shanghai's municipal expansion has been developed which will make this city, China's largest, an even more important economic and financial center as well as an open, multifaceted city, said an official here today.

Tan Qikun, of Shanghai's Municipal Construction Program Committee, said, the plan is a comprehensive one that includes forming a network in the central city, rural towns on its outskirts and rural market centers.

The expansion of seven industrial satellite cities is expected to be the main project, with the focus on Jinshan, on Hangzhou Bay, and Wusong, on the south bank of the Yangtze River. The two places will be built into cities with factories, foreign trade companies, ports and travel services, based on the petrochemical plant and the Baoshan steel plant--two major industrial enterprises in China, the official said.

The development of Pudong District--an area on the east bank of the Huangpu River with large tracts of undeveloped land--is another main project in the plan. It includes the development of Lujiazui, facing the bank across the Huangpu River, and the construction of a river garden and a 400-metre-high TV tower, the highest structure in the city.

Four tunnels across the Huangpu River and two bridges over the river will be built.

Also on the construction list are seven subway networks and some freeways and pedestrian overpasses. Communication lines composed or railways will stretch to the south bank of the Yangtze River from Hangzhou Bay to link the central part of the city and its major satellite cities.

"When the plan is implemented, traffic jams in my city will be greatly reduced," said Tan.

Housing construction has been given top priority in the program. Resident buildings with a total floor space of 67 million square metres will be built. "That means every family in Shanghai will have a suite consisting of bedrooms, a living, room, a kitchen, a balcony and a bathroom: the living area for each person will increase to 8 square metres from the present 5 square metres."

The program said the population of Shanghai is expected to be confined to 13 million before the year 2001.

After 2 years of construction, Hongqiao and Minhang, two economic and technological development areas on the outskirts of Shanghai, have taken shape, including the construction of joint-venture factories, hotels and apartments for foreign businessmen.

The railway station, airport and wharf are also under reconstruction and expansion.

The program has been designed by thousands of experts who started work in 1979.

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CSO: 4020/38

CONSTRUCTION

BRIEFS

LIAONING PORT'S CONSTRUCTION--Shenyang, 30 September (XINHUA)--Construction of a new port in Liaoning Province has begun with the approval of the State Council, China's highest governing body. The Jinzhou Port at the western Liaodong Bay of the Bohai Sea will be the third largest in northeast China encompassing three provinces, which are China's major industrial centers and agricultural producers. The first phase of the project includes two berths for 10,000-DWT oil tankers and three for 10,000-DWT sundry ships, and the port will be able to handle 4.5 million tons of cargo a year upon completion in 1990, a project official told XINHUA today. Jinzhou City, population 4.5 million, is a major petrochemical and electronic industrial center in Liaoning, and an important distribution center of agricultural proudcts for the northeast. The new port will facilitate the opening of the northeast to the world, the official added. [Text] [Beijing XINHUA in English 1715 GMT 30 Sep 86 OW] /12232

GOOD PROGRESS ON KEY PROJECTS--Beijing, 17 October (XINHUA)--China's 190 key projects have been going on smoothly and at a faster-than-last year speed because the state has concentrated financial efforts, a state Statistical Bureau official said here today. Construction for the first 9 months this year cost 16.5 billion yuan, 65 percent of the annual quota and an increase of 2 billion yuan over the same period last year. The six major oilfields at Daqing, Liaohe, Huabei, Shengli, Zhongyuan and Xinjiang completed drilling footage totalling 8 million meters and added oil production capacity of nearly 63 million bbls, fulfilling the annual quota by 80 percent. The 15 major coal mines completed tunnels totalling 140,000 meters, fulfilling 75 percent of the annual target. Of the power projects with a total generating capacity of 5 million kilowatts being built this year, eight generating units with a combined generating capacity of 860,000 kilowatts have gone into operation and the rest are being installed or in trial operation. Tracks were laid on 300-kilometers of trunk railways between January and September this year, and 70 percent of the investment in construction of 12 transportation projects were used during this period. The official said the 10 deep water berths under construction are expected to go into operation on time. [Text] [Beijing XINHUA in English 1556 GMT 17 Oct 86 OW] /12232

CSO: 4020/38

MOFERT OFFICIAL ON DEVELOPMENT OF FOREIGN TRADE

Hong Kong TA KUNG PAO in Chinese 18 Sep 86 p 11

[Interview with Wang Pinqing, vice minister of foreign economic relations and trade, by TA KUNG PAO reporter in Beijing: "China Is Doing Well in Foreign Trade"; date of interview not given]

[Text] The 60th China Export Commodity Trade Fair will open in the middle of next month. Our reporter interviewed Wang Pinqing [3769 0756 3237], vice minister of foreign economic relations and trade, in Beijing and put to him a number of questions about China's foreign trade that readers are interested in. Below are the contents of the interview:

A Good Start In Foreign Trade This Year

Question: Vice Minister Wang, would you please begin by discussing China's foreign trade situation this year? What significant impacts will plunging oil prices have on China's exports?

Answer: Oil is one of China's major exports and accounts for about one quarter of its foreign exchange income, so the effects of the collapse of oil prices on the nation's exports are obvious. On the other hand, the steep decline in oil prices also means substantial savings for oil-importing nations and boosts their purchasing power. The result is a more favorable international market for our other exports. Moreover, since we mounted an export drive early and vigorously enough and applied the right policies and measures, we managed to maintain a growth momentum even as foreign exchange earnings from the sale of oil has dropped sharply. Trading in commodities other than oil has been brisk, with substantial increases in both exports and foreign exchange, thus offsetting the negative consequences of the deep decline in oil prices. According to our ministry's statistics, exports in the first half of this year amounted to $12.8 billion, up 13.7 percent over the same period last year. The value of import shipments was $14.04 billion, 2.7 percent lower than a year ago. The trade deficit narrowed to $1.24 billion, compared to $3.16 billion for the corresponding period in 1985. We can say that China's foreign trade was off to a good start this year. It is a gratifying situation.

However, we must also open our eyes to the fact that as the world economy slowed down this year, competition in the international market has become even more heated and protectionism has aggressive. To fulfill and over-fulfill the 1986 export plan remains an arduous task. We must do a solid job and seize all favorable opportunities to breathe life into trade and make it a success.

Manufactured Goods A Shrinking Share of Total Exports [as published]

Question: Can you tell us some of the characteristics of the development of China's foreign trade in the first half of this year?

Answer: We can look at the characteristics of China's foreign trade in two ways. On the export side, the most salient point is that because of the slump in oil prices and the reduction in oil exports, foreign exchange income from oil fell precipitously compared to the same period last year. Meanwhile, foreign exchange earnings from other commodity exports rose 38.9 percent over the period a year ago, an increase margin so big that it is unprecedented in recent years. The export commodity mix has also changed in satisfactory ways: the proportion of manufactured goods as a percentage of the mix has gone up, and light industrial products, textile goods, agricultural byproducts, and native, local produce have become even more prominent as our staple exports. Apart from these exports, other exports which experienced an upsurge in the first half of 1986 were arts and crafts, mineral products, machinery, and equipment. On the import side, we have considerably adjusted the import mix in light of the demand of economic development during the Seventh 5-Year Plan. While we increased such imports as new technical equipment, single pieces of machinery and apparatus, rolled steel, industrial chemicals, chemical fertilizers, pesticides, and other means of production, we drastically cut back on the import of daily articles like domestic electrical appliances and cars.

Push for Countertrade

Question: China began paying attention to countertrade in recent years. How is it shaping up?

Answer: Countertradetrade is a form of trade that aims to expand exports and open up markets by combining exports with imports and using imports to drive exports. Barter trade, compensation trade, and entrepot trade are some of the most common forms of countertrade today and occupy an important position in international trade. In order to increase exports, foster economic and trade intercourse with countries around the world, strengthen our economic and trade cooperation with Third World nations, step up South-South cooperation, and improve our trade imbalances with some countries, China in the past few years has looked at countertrade closely as a means of developing its export trade and been working on it systematically in a planned and guided way. As a result, countertrade has been growing very rapidly. MOFERT statistics show that from 1979 through the end of 1985, compensation trade raked in more than $1 billion in foreign funds while barter trade, which began in May 1985, expanded quickly and was worth $820 million in late 1985.

It must be pointed out that China is a developing nation. Its policy of opening to the outside world and promoting foreign economic relations must rest on rising exports and an enhanced ability to make international payments.

That is why we must use all forms of trade, including countertrade, and do business flexibly to step up exports.

Parallel Goods Under Control

Question: Early this year China decided to impose a quota and permit system on 235 types of commodities exported to Hong Kong and Macao. Has it worked? What is the new direction of trade between the interior and the Hong Kong-Macao region this year? Has the flood of "parallel goods" ended?
Answer: The Hong Kong and Macao region is one of China's leading markets and sources of foreign exchange. It is also an important entrepot center for our imports and exports, so we attach a good deal of importance to Hong Kong and Macao trade. In recent years, the flood of parallel goods for a time disrupted our trade with the Hong Kong and Macao region, caused heavy losses in the government's foreign exchange income, and hurt the interests of distributors of Chinese goods in Hong Kong and Macao. To stop the flow of parallel goods and enable normal bilateral trade to develop healthily to the benefit of the region's stability and prosperity, we have taken a series of steps including the application of a quota and permit system for 235 types of exports to Hong Kong and Macao. These measures have achieved tangible results. As far as some major commodities are concerned, the flood of parallel goods has basically been checked. Our exports have gradually been stabilized, with both sales volume and prices picking up along with a marked increase in foreign exchange earnings. Trade between the interior and the Hong Kong-Macao region has expanded rapidly. In the first half of 1986, our trade with Hong Kong stood at $4.72 billion, a gain of 11.4 percent over the corresponding period in 1985. Of the total, exports made up $3.36 billion, up 58.1 percent compared to the same period last year. Bilateral trade with Macao amounted to $170 million, 66.2 percent more than the corresponding period a year ago, of which exports constituted $135 million, up 51.8 percent.

We beefed up control in order to protect normal bilateral trade with the region, safeguard the stability of this traditional market, and be able to export in an orderly way in accordance with what the market can absorb and wants. To make it easier for enterprises to apply for export permits, we have simplified procedures and give special consideration to the two provinces of Guangdong and Fujian and to the special economic zones.

International Market Favorable to China

Question: You played a leading role in the trade fair on many occasions in recent years. Can you tell us what the function of the trade fair is in the development of the nation's foreign trade and the new features of the latest trade fair?

Answer: The trade fair is a major arena where China can further its foreign trade and is its only comprehensive, large-scale export commodity trade fair. In the last couple of years, business concluded at the spring and autumn trade fairs each year accounted for about one-fifth of China's exports for the year concerned, while total volume of sales achieved at successive trade fairs constituted about one-quarter of the nation's overall exports for the period in question, so the fair plays a pivotal role in the development of China's foreign trade. During his inspection tour of the fair in April last year, General Secretary Hu Yaobang wrote the inscription, "The Canton Trade Fair promotes mutual benefit around the world," which succinctly sums up the fair's achievements and the thrust of its endeavors.

As China's foreign trade grew, the scale of the trade fair has also expanded considerably. The 59th fair last spring drew 26,000 businessmen compared to 1,200 who attended the first fair in 1957. The number of visiting delegations has increased from 8 to 15, while the types of commodities on display rose from 12,000 to 50,000 and total sales amounted to $3.24 billion, up from $87 million. A large number of import deals have also been made. The trade fair has become a preeminent international trade gathering famous the world over.

The autumn trade fair this year, the 60th such gathering, takes place at a time when things are getting better. For one thing, our policies and measures to encourage exports have stimulated the initiative of export enterprises. All sectors and localities now devote much attention to the development of exports and there are more sources of exports, which should strengthen the material basis for export expansion. For another, the recent adjustment in the exchange rate of the renminbi has made our commodities more competitive and more advantageously positioned in the international market. I hope that all trade delegations will make full use of these favorable conditions and, even as they present a united front to the world, which is fundamental, adopt flexible and diverse methods to clinch as many deals as early as possible in an all-out effort to maximize foreign exchange earnings for the government. At the spring fair this year, a number of foreign trade companies initiated horizontal economic linkages and expanded exports by exploiting their respective strengths. This is a positive experience that the present fair must perpetuate in order to do more business.

Finally, on behalf of the Ministry of Foreign Economic Relations and Trade, let me extend a most cordial welcome to foreign businessmen attending the trade fair. May it be a great success.

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CSO: 4006/89

BRIEFS

VEGETABLE EXPORTS--China's specialty vegetable products have been exported to over 100 different countries since 1984 and on average have brought in $500 million per year. This represents a 1.5 fold increase over 1980. Canned vegetables account for 50 percent of the specialty vegetables exported and among them canned mushrooms and ketchup have been particularly well received in both domestic and foreign markets. Key foreign markets for these products are Japan, the USA and Southeast Asia. [Excerpts] (Beijing ZHONGGUO SHANGYE BAO in Chinese 7 Oct 86 p 1)

CSO: 4006/94

LABOR AND WAGES

REGULATIONS ON USING RETIRED TECHNICIANS ISSUED

OW241331 Beijing XINHUA Domestic Service in Chinese 0247 GMT 21 Oct 86

[Text] Beijing, 21 October (XINHUA)--To enable retired technicians in various specialized fields to work for China's four modernizations program, the general offices of the CPC Central Committee and State Council recently distributed the "Provisional Regulations on Giving Play to the Role of Retired Technicians in Various Specialized Fields."

These provisional regulations had been worked out jointly by the Organization Department, Propaganda Department, and United Front Work Department of the CPC Central Committee, the State Science and Technology Commission, the Ministry of Labor and Personnel, the China Association for Science and Technology, and the PLA General Political Department and had been approved by the Secretariat of the CPC Central Committee and the State Council.

The provisional regulations state: In supporting and helping retired technicians to continue to play a role, we should proceed from the needs of our work and their actual conditions. We should also adhere to the principle of respecting their wishes and using them in accordance with their capabilities, and should adopt various methods in doing so. All units may employ retired professional technicians to do specialized technical jobs, such as academic lecturing, translation, research guidance, personnel training, technological development, and technological consultation, according to their respective needs. In general, however, no retired technicians should be employed to fill leading administrative or technical positions. If their services are used for medical, construction design, or other specialized technical work involving personal safety or major technological and economic responsibilities, the regulations promulgated by the competent authorities concerned should be complied with. As for those professional technicians who have retired from party and government organs and wish to work with enterprises, engage in commercial activities, or start their own business enterprises, the pertinent regulations promulgated by the CPC Central Committee and the State Council should apply.

According to the provisional regulations, when retired professional technicians are employed to do specialized technical work, they may be paid for their services while still receiving their retirement pensions and enjoying the welfare benefits they deserve. If their personal income exceeds the taxable minimum, they should pay tax according to law. When retired technicians are required to take part in activities sponsored by specialized academic organizations or in other scientific or technological activities, their travel and other expenses should be reimbursed by the units sending or inviting them to take part in such activities in accordance with the pertinent regulations. Retired technicians who have been employed to work in other places may retain their household registrations at their original domiciles. Industrial accidents causing injury to retired technicians while they are employed by units other than their original units should be handled by the former in a proper and responsible manner according to their own measures for treating personnel.

The provisional regulations stipulate that retired technicians in various specialized fields continue to play a role and that favorable conditions and conveniences be provided to enable them to do so. They should be allowed to use the library facilities of their original units. However, if their work for other units requires them to use equipment, tools, materials, or unpublished technological data and drawings of their original units, approval should be obtained from the original units, and fees paid in accordance with the related rules. Those retired technicians who have made remarkable contributions in doing their work should be given commendations and rewards. If their achievements in science and technology meet the qualifications for national natural science awards, invention awards, and advanced technology prizes or the standards for other awards, the employing units should file applications on their behalf to the authorities concerned.

The provisional regulations call on retired technicians in various specialized fields to set an example by complying with state laws and decrees, implementing relevant policies, carrying forward fine traditions, laying stress on work ethics, and safeguarding the technological and economic rights and interests of their original units as well as their new employing units. Meanwhile, party organizations, propaganda, and united front work departments at all levels, science and technology commissions and labor and personnel departments at all levels, and all associations for science and technology are requested to strengthen cooperation in studying and resolving related policy questions and realistic problems and in creating favorable conditions so that retired professionals may continue to play a role.

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CSO: 4006/102

BRIEFS

CONGRESS OF SELF-EMPLOYED WORKERS--The First Congress of Fujian's self-employed workers opened in Fuzhou today. A total of 214 deputies were elected from among 450,000 self-employed workers in the province to attend this Congress. Leading comrades in Fujian Hu Ping and Hu Hong attended and addressed the Congress. Comrade Hu Hong said: The convocation of this Congress reflects the common aspiration of all self-employed workers and the concerns of the party and government over these workers. You should be respected by people of all walks of life in society. In his speech, Governor Hu Ping fully reaffirmed the role of self-employed workers in promoting the circulation of commodities and developing the urban and rural economies in Fujian. He said You have a bright future. The various departments concerned will support and protect you and what you are doing, according to law, so that you are able to serve society. Governor Hu Ping called on all self-employed workers in the province to unite as one, to improve their methods of management, and to make a contribution to developing the two types of civilization. [Text] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 21 Oct 86 OW] /12913

CSO: 4006/102

REGULATIONS ON DEVELOPING TRANSPORTATION

OW271111 Beijing Domestic Service in Mandarin 1200 GMT 24 Oct 86

[Text] With the State Council's approval, the State Economic Commission, together with the State Planning Commission, the Ministry of Finance, and six other ministries and departments, recently drew up provisional regulations governing the development of transportation and communication industry.

The regulations point out: Communication and civil air transportation departments at all levels should speed up their work in separating government administration from enterprise management. They should concentrate their efforts on air transportation management and planning, and on guiding the development of transportation industry. All localities and departments should create favorable conditions for the separation of port administration from shipping companies, airport administration from airlines, and motor vehicle station administration from highway transportation companies. All sea ports, river ports, motor vehicle stations, and civil airports, including airports for both military and civilian use, should cater to the needs of society and provide service to all ships, motor vehicles, and airplanes engaged in transportation business, and charge their customers with a certain amount of fees.

The regulations state: In addition to state investments, all localities, departments, and enterprises concerned, as well as the masses, are encouraged to raise funds to develop transportation and communication industry. Utilization of overseas Chinese and foreign funds for this purpose is also encouraged. These funds may be used for dredging waterways, constructing highways and airports, and developing post and telecommunication industry.

The regulations reiterate the policy of pooling efforts of the state, collectives, and individuals for developing transportation industry, and the policy of developing a balanced land-water-air transportation system.

The regulations also stress rational distribution of transportation tasks among various transportation sectors. The regulations state: Railways should undertake the main task for long- and medium-distance transportation of passengers and of large quantities of goods. Highways should undertake the responsibility of medium- and short-distance transportation. Rivers and sea coasts should be fully used for water transportation while civil air industry should be developed mainly for long-distance passenger transportation while making positive efforts to develop cargo transportation.

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CSO: 4006/101

TRANSPORTATION

BETTER DESIGNS, LOWER COSTS URGED FOR HIGHWAY BUILDING

Beijing GONGLU [HIGHWAYS] in Chinese No 5, 25 May 86 pp 3-5

[Article by Bao Zhongyue [7636 6988 1471] of the Highway Bureau of the Ministry of Transportation: "Raise the Level of Design and Lower Construction Costs"]

[Excerpts] The highway transportation system is still a weak link in China's economic development. In order to change this situation, the acceleration of the pace of highway construction is necessary beyond a doubt. At the recent National Conference on Transportation Work, it was pointed out that by the end of the Seventh 5-Year Plan, total highway mileage in China is to reach 1 million km, standards for highway quality are to be raised, total mileage for highspeed, grade on highways is to reach 1,800 km and other grade highways will increase to 680,000 km. Highway construction has entered upon a new stage of development. The CPC Central Committee and State Council are paying close attention to these developments and the leadership comrades from the Central Committee have issued numerous directives concerning highway construction problems. Recently, there have been certain important, policy-level measures relating to funding sources for highway construction, such as, charging a vehicle-purchase tax, appropriately raising road maintenance taxes, reiterating the policies of the masses constructing and repairing roads with government assistance, levying charges to repay funds amassed to construct expressways, large bridges, and tunnels using credit or raised funds, etc.

However, China's economy has just begun to take off. The state's finances are limited, and financial and material resources are insufficient to meet the input needs of highway construction. Therefore, in addition to the above methods and measures to raise funds, much more could be done in areas of design, operations, and management to raise quality and lower building costs, to use our limited funds precisely where necessary to construct as many highways as possible, to do a good job of the management of both new and previously constructed highways and obtaining the most economic returns possible on our investment. All these areas have a great deal of potential that should be maximized.

Enginering design is the first and foremost key to the successful construction of highways. The selection and implementation of the most technically advanced, economically rational, most easily realized ideal design plans are for the purpose of building a reliable foundation for future work. In this article I will briefly present my views on the problem of how to improve the level of highway design from the approach of maximizing design potential and lowering construction costs.

1. Study and Use New Theories of Design, Raise Highway Construction Standards to a More Advanced Level

Standards and criteria form the basis for engineering and construction. To a great extent, the economic rationality, safety, and suitability of a project's structure are determined by whether or not the newest S&T achievements have been used in the setting up of standards. Due to their nature as technological laws and regulations, their guiding role over the entire industry and their reflection of the scientific level of the industry, standards are significant throughout the entire course of construction. The effect of getting a handle on standards is far greater than merely concentrating on one highway or bridge. This self-evident fact is, however, frequently ignored. For example, in the past, the allowable stress method based on the theory of flexibility had always been used in design norms for bridge structures in China. This method was not, however, suited to the realities of structural work. In 1985 revised design norms for bridges and culverts were promulgated using maximum standards indicated by factors often used in safety coefficient (with the exception of steel structures), which represented a step forward in design theory. It not only increased the rationality of design, but led to a savings of approximately 5 percent in materials in all situations given the same conditions. This would be translated into considerable economic returns for the entire industry or large-scale projects. Another example would be the more than 300 standard and universal bridge charts we issued in 1.4 million copies. These charts meet design standards, are highly technical and adaptable and have utilization rates of 80 to 90 percent; thus they have greatly enhanced design effectivity, have ensured the meeting of project schedules and of fulfilling quality norms, and have garnered a remarkably large amount of economic returns. Thus, the great potential for the study and use of advanced design theories and methods to economize on investment and materials via the adoption of economically rational designs can be seen.

In the past few years, nearly 40 sets of highway construction standards in China have been or are being devised and revised, forming a preliminary independent system. Our road-surface theory is approaching international standards, which has created a good foundation for highway design and construction. However, at present our standards still lag behind international levels both quantitatively and qualitatively. For example, since the 1970's, the structural limit design taking the probability theory as its base was already being applied abroad and was becoming the theoretical base for many countries and international organizations in setting structural standards. In comparison, although our newly devised bridge design standards represented a step forward, they were still far removed from advanced international levels. In addition, as regards "structural reliability" studies, our highway departments not only lag behind international levels, but behind other sister industries within China itself. In addition to this, the renewal cycle for the creation and revision of various standards in China has been excessively long, sometimes decades in the past. Due to the effect of scientific experiment and funding conditions, development pace does not at present meet practical demands. Also we have not yet attained the goal of "xingcheng xilie" [literally forming series]. Recently insufficient attention hasbbeen given to standards due to departmentalism regarding economic returns. This lack of an overall viewpoint is quite harmful.

Given the above situation, we must further work on and perfect the renewal of highway construction standards, both in their creation and their revision. We must constantly review our experiences and conduct scientific research to elevate experience to the theoretical level. Critical problems require that the appropriate departments organize their forces to attack them, make breakthroughs and promptly put results into application via experiment and practice. The design, research, and construction departments, universities, and technical schools must make an effort to cooperate to achieve results within the shortest time. Only by more rapidly improving standards can a good balance in safety, utility, durability, and economy in the construction structure of the entire industry be achieved.

2. The Use of the Most Advanced Surveying and Mapping Methods Will Ensure Quality in Design

In only a few units or for a few individual routes and projects are China's highway departments utilizing advanced surveying and mapping methods such as aerial photography at present, and their utilization is not comprehensive. Most units still use the old methods and types of equipment used in the 1950's. We have only just begun to use electronic co-puters to supplement our design work. Surveying and mapping of highway routes and structures basically rely on manual work, which is energy- and time-consuming, difficult, and not really of the most ideal quality. If we wish to obtain scientifically advanced, economically rational designs, we must resolve to improve our work in the surveying and mapping stage. In addition, the development of design theory and its application rely on advanced surveying and mapping (testing) methods and technologies.

Of course it is not easy to answer the question of what advanced equipment should be installed and utilized nationwide. However, we must make comprehensive dispositions, energetically import in a planned fashion and strive to organize human resources to assimilate, absorb, reproduce, and innovate. For example, in importing computerized supplementary design systems, we must genuinely engage in secondary development of applicable software and innovate and create applicable programs suitable to the conditions in China. At the present time, the development and utilization of miniature computers is extremely worthwhile. As they are lightweight and easy to use on a widespread basis, their use should be promoted all throughout the highway sector.

3. Pay Attention to Economic Analysis and the Rational Stipulation of Highway Technology Level

The stipulation of highway technology level and the selection of technical standards for projects have a great effect on investment effectiveness in construction. The degree of rationality in this regard is determined by economic and technological analysis.

4. The Active Use of New Materials and Procedures in Designing

The level of design theories and methods and of construction materials and procedures both spur on and limit each other. For example, the development of high-tensile steel and stretch-draw equipment has spurred on progress in prestressing force theory and procedures, enabling prestressed structures to gain a position of prominence in the construction process, thereby leading to the development of "xie zhang" [possibly skew] bridges and their transformation into one of the most rational forms of long-span bridges. The widespread use of asphalt has advanced the establishment and development of soft road surface theory in China. The above-mentioned probability limit design theory in construction structure is making bridge design more economically rational, safe, and practical, but this requires strict quality control over materials and components throughout construction. In short, it will always be difficult to apply even the most advanced designs without the appropriate construction materials and techniques.

At present, highway construction in China is limited to varying degrees, by backward materials and construction processes. For example, we can design various types of bridges of all sizes, but lack the insurance of up-to-snuff materials and construction techniques. High-tensile concrete exists in strengths of up to 600 to 1,000 kgf/cm^2; low-alloy strengths have reached levels of 80 kgf/mm^2; high-grade zinc-plated steel wire have strengths of 150-170 kgf/mm^2; prestressed skew bridge spans abroad have reached lengths of 440 meters, while steel-frame, concrete arch bridge spans are as long as 390 meters. Concrete bridges in China can only reach actual strengths of 500 kgf.cm^2; low-alloy steel strengths is 36 kgf/mm^2, and these materials are still not in abundant supply. Due to the poor supply of asphalt and concrete, asphalt and concrete roads account for only approximately 20 percent of total road surface in China. Greatly developing the construction materials industry and improving construction processes and equipment are urgently needed in the implementation of design rationalization. This will require the support and coordination of the leadership departments and the cooperation and assistance of the production and construction sectors.

In the past few years, emulsified pitch has been produced and used in a number of places to lay road surface, which saved on fuel, was easy to use, and length great reductions in construction costs and environmental pollution. This is also a noteworthy development. From this it can be seen that by making full use of the potential of available materials and equipment, high-quality, economical projects can be carried out. This requires the strengthening of lateral relations between all the departments and the support and cooperation of the leadership sector to effectively deal with and resolve problems of production and supply, such as difficulties encountered with the production of the above-mentioned low-alloy coarse reinforcing bar, the lack of specialized factories for the production of emulsified pitch and related equipment, the inability of the small-scale production style currently in use to meet needs and of the impossibility to guarantee the meeting of quality standards.

5. Improve the Design System, Implement Bidding in Project Design

The overall economic reform is an effective measure in accelerating the pace of highway construction. Highway surveying and design must develop in the direction of businesslike operations and socialization. The use of bidding for project designs is an important development in the reform. In the past, design work was assigned by supervisory organs and competition was absent. Bidding for design work is now being conducted at test sites where good results have been obtained. All that remains is the review of experiences and energetic promotion.

In short, the reduction of highway construction costs is a necessary, vital measure in highway construction at the present time. As long as the departments of design, construction, conservation, and scientific research all maximize their advantages, take effective measures and maximize potentialities, great possibilities lie ahead for the reduction of construction costs.

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COUNTRY INVESTS MORE IN HIGHWAY CONSTRUCTION

OW301838 Beijing XINHUA in English 1602 GMT 30 Oct 86

[Text] Beijing, 30 October (XINHUA)--China invested 1.3 billion yuan (about US$350 million) on highway construction this year, 3.3 times more than last year.

A government official told XINHUA here today that the move was part of efforts by the Chinese government to readjust the nationwide transport structure by air, road, rail, and water.

According to the Ministry of Communications, road construction will be carried out on a larger scale and the Chinese government will continue to increase its investment in highway construction. The official said the total investment in highway construction will reach 7.6 billion yuan in the next five years. This figure represents a fourfold increase over the 1.5 billion yuan allocated in the past five years.

Vice-Minister of Communications Wang Zhanyi said, "China plans to build 60,000 km of new highways and widen and improve 80,000 km of existing roads in the coming five years." Priority will be given to 42 roads linking ports and coal fields, and some in economically developed and tourism areas, of which 27 will have been completed within the next five years.

As the same time, China will also construct more than 30 important highway bridges crossing the Yellow, Xinjiang, Hanjiang and Songbuajiang Rivers.

Major overpasses will replace the existing road junctions of busy highways and railway lines, the vice-minister added. When the projects are completed on 42 trunk roads, the highway freight capacity will go up 50 percent while transport costs will drop 15-20 percent.

Economic benefits will increase since these highways handle large amounts of freight. Experts predicted that the improved highways will save about two billion yuan in transportation costs.

According to the Ministry of Communications, China will have one million km of roads, including 2,000 km of expressways and first-grade roads. The total length of China's roads was 940,000 km last year. To this and more than 200,000 road builders and technicians are at present making great efforts to construct more than 80 highways totalling 12,000 km.

Qian Wenzhong, an engineer at the Highway Bureau of the ministry, said, "This year alone, China started 26 projects, including the Beijing-Qinhuangdao-Shenyang and Shannghai-Nanjing Highway, and a 420 km international highway from China to Pakistan."

He said most of the projects are going smoothly, thanks to proper preparations. Preparations are also underway on the projects which are scheduled to start next year, including a 142.5 km road linking Beijing with the Tianjin area and a 125 km road linking the Jiangxi Province cities of Nanchang and Jiujiang.

In China's coastal open cities and special economic zones, construction has started on 13 roads to further improve the economic infrastructure for foreign investment. They include a 270 km road on Hainan Island, a 266 km road linking Fuzhou with Xiamen, in Fujian Province, and a 360 km road linking Jinan with Qingdao, in Shandong Province.

Beijing, capital of the country, is now building and widening 15 roads this year in a bid to ease city traffic jams. The city built, widened or asphalted more than 1,400 km of roads for a total length of 8,482 km at the end of 1985.

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54 MILLION YUAN MARKED FOR GUILIN AIRPORT EXPANSION

OW270806 Beijing XINHUA in English 0714 GMT 27 Oct 86

[Text] Guilin, 27 October (XINHUA)--China will earmark 54 million yuan to expand its airport next year in Guilin, one of the most scenic areas in the country, an airport official said here today.

The project includes lengthening the runway from 2,300 meters to 2,600 meters to accommodate larger airplanes such as airbus A310s, Boeing 767s, and TU 154m.

The official said they will also build a new airport terminal with a total floor space of 20,000 square meters and expand electricity, fuel and telecommunication ground facilities.

The terrain outside the city of Guilin, in subtropical south China, is dotted with weird-shaped, cone-like stalagmites that appear to have popped straight up from the ground. This is Karst country, with a thick overlay of limestone outcroppings which were thrust up by the movement of the earth's crust.

The scenery has become a major tourist attraction causing visitors by the thousands to flock to Guilin.

The passenger volume at the city's airport rose to 378,000 last year, making the airport the fourth largest in the country, after Beijing, Guangzhou and Shanghai.

This year, the airport is expected to handle 500,000 passengers, 32.3 percent more than last year, the official said.

Guilin has now more than 60 flights a week to Beijing, Chengdu, Chongqing, Guangzhou, Guiyang, Bangzhou, Kunming, Nanning and Shanghai.

There is also chartered flights between Guilin and Hong Kong.

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CSO: 4020/38

TRANSPORTATION

FIGURES FOR PASSENGER, CARGO TRANSPORT RELEASED

HK051454 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 3

[Text] The number of passengers carried by air in China increased by 27.5 percent in the first eight months of this year compared with the same time last year while the number of railway and waterway passengers decreased, says the State Bureau of Statistics.

Railways still held the biggest share of passenger transport, moving 710 million people in the first eight months, 8.2 percent down. But because most people travelled longer distances, the total system usage increased 3.4 percent to 196 billion people-kilometers.

Rail cargo transport increased to 880 million tons, 3.8 percent up. System utilization hit 575 billion ton-kilometers, up 8 percent, which means that cargo also moved longer distances than last year.

Water cargo transport was 135 million tons, up 12.1 percent. Usage was 511 billion ton-kilometers, up 13.3 percent while 27 million people travelled by water, down 5.8 percent. Usage was 6.6 billion person-kilometers down 5.5 percent.

More than 6 million people flew in the first eight months, up 27.5 percent giving a system usage of 9.1 billion person-kilometers, up 26.4

Air cargo was 134,000 tons, up 10.9 percent, a rate of 290 million ton-kilometers, up 11.5 percent.

About 2.86 billion people moved by vehicles, up 1 percent, a rate of 108 billion person-kilometers, up 5 percent.

Truck cargo transport was 439 million tons, up 2 percent, giving a usage of 23 billion ton-kilometers, up 1 percent.

Major sea port handling was 255 million tons, up 16.5 percent.

Postal business income in the first eight months was 2 billion yuan, up 5.9 percent.

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CSO: 4020/40

TRANSPORTATION

BRIEFS

CAAC YUN-7 AIRPLANE PURCHASE--Xian, 28 October (XINHUA)--The Civil Aviation Administration of China (CAAC) will purchase 40 China-made YUN-7 airplanes to fly its domestic routes in the coming few years. In a purchasing meeting held here Wednesday, CAAC decided to first buy 15 YUN-7 passenger planes by the end of next year for its local branches in Guangzhou, Chengdu, Shenyang, Shanghai and Xian, and for an aviation school and two companies, a CAAC official said. Produced by the Xian Aircraft Manufacturing Company, the YUN-7 airplane is a popular plane used by CAAC's local branches, which have bought 15 since 1984, the official said. By the end of the state Seventh 5-Year Plan period (1986-1990), CAZC will have 55 such planes in service, the official said. According to him, the Xian Company will cooperate with foreign counterparts to improve the YUN-7 plane in the period. [Text] [Beijing XINHUA in English 1525 GMT 23 Oct 86 OW] /12913

CIRCULAR ON ROAD TRAFFIC--Beijing, 26 October (XINHUA)--Public security departments will be held responsible for traffic rules on all roads throughout China, according to a government decision to improve efficiency in traffic control. A circular issued recently by the State Council, China's highest government body, says that the reform of the country's road traffic management system is designed to end "previous management by various departments" in a bid to meet the needs of opening to the outside world while invigorating the domestic economy. The State Council has empowered the Ministry of Public Security to draft the country's laws and regulations on traffic safety and management. Once they are approved by the National People's Congress, the circular says, "the Ministry will be held responsible for implementing them." The circular notes that without the approval of the public security organs, no units or individual persons can occupy road space to set up stands, shops and markets, park motor vehicles or pile up goods. Except for the public security organs, no other government departments can set up posts on roads to intercept or inspect vehicles, the circular says. [Text] [Beijing XINHUA in English 0217 GMT 26 Oct 86 OW] /12913

STATE COUNCIL RECALLS VEHICLES--Beijing, 29 October (XINHUA)--The State Council, China's highest governing body, will revoke licenses and stop gasoline supplies in an effort to get old motor vehicles off the road. The new governmental policy is part of a national program to cut back oil consumption and recover scrap steel and other metals, according to a national conference that closed here recently. A participant at the conference noted that during the 1982-85 period China recycled 223,700 vehicles, saving about 51.9 million barrels of oil, and recovering 480,000 tons of steel. The country had 3.04 million civilian motor vehicles at the end of 1985, with 20 percent of them eligible for recall. The Chinese government plans to recall 75,000 motor vehicles this year, based on age, mileage and condition. "The plan has not been carried out well so far," the conference stated, "because only 31,800 units have been recalled with only 12,300 actually turned-in during the first half of this year." It demanded banning the sale of recalled vehicles on the open market, emphasizing, "the seller must be held responsible for all losses on the part of the buyer." [Text] [Beijing XINHUA in English 0135 GMT 29 Oct 86 OW] /12913

LHASA FLIGHTS--Beijing 23 October (XINHUA)--Regular flights are to begin from 16 November between Lhasa, capital of Tibet, and Beijing, Shanghai, the Jiangsu provincial capital of Nanjing and the Guangdong provincial capital of Guangzhou. Boeing 707 and 737 airliners will fly the routes. [Text] [Beijing XINHUA in English 0200 GMT 23 Oct 86 OW] /12913

FUZHOU-LIANCHENG PASSENGER FLIGHT INAUGURATED--Liancheng, 23 October (XINHUA)--An 11-14 passenger plane from Fuzhou landed at the Liancheng Airport in the west Fujian mountainous area at 1050 today. This was the first passenger flight of the third air route--from Fuzhou to Liancheng--opened by the Fujian Joint Aviation Service Company jointly operated by the Fujian Provincial People's Government and the Air Force. Located in the middle of the west Fujian mountainous area, Liancheng County serves as a traffic hub for eight counties (cities) of northwestern Fujian, southern Jiangxi, and eastern Guangdong. Forest and mineral resources abound there. The opening of the Fuzhou-Loancheng passenger flight will facilitate development of resources in 18 counties and cities in the 3 provinces. [By reporter Liu Guozhu and correspondent Wu Furui] [Text] [Beijing XINHUA Domestic Serivce in Chinese 1252 GMT 23 Oct 86 OW] /12232

MORE PRC-MADE PLANES USED--There will be 40 more Yun-7 homemade passenger planes used on domestic flights in the Seventh 5-Year Plan period. Yesterday the General Administration of Civil Aviation of China and the Xian Aircraft Manufacturing Company signed a purchase contract. The Xian Aircraft Manufacturing Company has a production line with an annual output of more than 10 Yun-7 passenger planes. To meet the demands set by the General Administration of Civil Aviation of China, the company will raise the quality of the Yun-7 by improving the turbo-propeller and radio navigation devices so as to catch up with world advanced standards. [Text] [Xian Shaanxi Provincial Service in Mandarin 0030 GMT 23 Oct 86 HK] /12858

GREEN BELTS PROTECT RAILWAY--Lanzhou, 25 October (XINHUA)--A network of five anti-sand belts has successfully protected part of the Baotou-Lanzhou railway in northwest China from being buried by the dunes of the Tengger Desert, according to the results of a recent state technical test. The 898 km section, linking two stations on the Baotou and Lanzhou railway line, is used to transport 80 percent of the steel, fur and coal produced in the northern parts of the Inner Mongolia Autonomous Region and Shanxi Province to other parts of the country. The local government built a 500-meter-wide protection zone consisting of belts of pebbles, trees, shrubs, wheat straw fences and grass, respectively. Over 100 experts attending the meeting agreed the sand-harnessing network along the railroad has prevented the sand dunes from moving, provided a windbreak and promoted the growth of forests. The railway, built in 1956, together with the sand-harnessing network cost an investment of 30 million yuan (over 8 million U.S. dollars) and 4.5 million man hours. [Text] [Beijing XINHUA in English 0641 GMT 25 Oct 86 OW] /12232

SEA TRANSPORTATION CAPACITY INCREASES--Beijing, 17 Oct (ZHONGGUO XINWEN SHE)--The transportation capacity of China's fleet of ocean-going freighters now exceeds more than 17 million deadweight tons. According to a shipping official of the China Ocean Shipping Company, in May this year, the State Council's leading group in charge of sea, land, and airports decided to reschedule voyages and arranged 89 voyages. Of these 89 voyages, 20 voyages along 5 shipping routes are referred to as the core. In addition, the leading group also "fixed five things in advance." These five things are routes, berths, dates, types of ships, and types of cargo. Sometimes, ships may have to depart as scheduled even if they are not fully loaded, in order to ensure that the bulk cargo ships and container ships can operate smoothly. In the 4 months since 1 June this year, when the company began operating according to the revised shipping schedule, the arrival and departure of ships have become more and more punctual. In September, 100 percent punctuality was achieved. The company has established a very good international reputation. [Report: "Transportation Capacity of China's Fleet of Ocean-going Freighters Now Exceeds More Than 17 Million Deadweight Tons"--ZHONGGUO XINWEN SHE headline] [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1310 GMT 17 Oct 86 HK] /12858

DESERT HIGHWAY BOOSTS DEVELOPMENT--Yinchuan, 28 October (XINHUA)--A new highway cutting through the Tenggar Desert--China's second-largest desert--has been proven a success since it opened to traffic in October 1985. The highway links the central part of northwest China's Ningxia Hui Autonomous Region and the west part of Inner Mongolia with 39 kilometers of roads. Zhang Baoshan, an official in charge of designing the highway's sand prevention project, said the design follows the experience of the 980-km Baotou-Lanzhou Railway, the first railway passing across the southern part of the Tenggar Desert. Since it was completed in 1958, the railway has been a great success thanks to dune-fixing plants. The highway's project includes the installation of wicker-woven fences along the road and the cultivation of certain plants to stabilize the sand. The construction of the highway is intended to make the resources of an iron mine with 4 million tons of reserves and the mirabilite in a salt pond in the center of the desert available to factories nearby which need the materials. [Text] [Beijing XINHUA in English 0135 GMT 28 Oct 86 OW] /12232

CSO: 4020/38

SUGGESTIONS FOR OVERCOMING OBSTACLES IN FOREIGN TRADE

Hong Kong WEN WEI PO in Chinese 24 Jul 86 p 10

[Article by He Daoming [0149 6670 2494], lecturer in the Department of Business Administration, Hong Kong Municipal Polytechnic School: "Examining the Development of Hong Kong's Foreign Trade"--Abridged version of an article published in issue No 7 of the XIANGGANG GONGSHANGYE YANTAOBAN [Forum on Hong Kong's Industry and Commerce], published by the Hong Kong Chinese Chamber of Commerce]

[Text] Review of Hong Kong's Foreign Trade

Hong Kong's foreign trade consists of export, import, and entrepot trade. Statistics reveal a rapid increase in Hong Kong's foreign trade over the past 25 years. Total trade volume in 1985 was 466.6 billion, an increase of 47 times over the 9.9 billion of 1960. The total value of exports increased from 2.9 billion in 1960 to 129.9 billion in 1985, a 45-fold increase. During the same period, entrepot and import trade increased 96 and 39 times respectively. When talking about Hong Kong, one must not overlook its foreign trade.

Exports

Manufactured goods produced in Hong Kong and exported are mainly consumer goods, including such items as garments, timepieces, toys, electronic parts, and radios. In 1985 the items mentioned above accounted for 35, 7, 5, 5, and 3 percent, respectively, of Hong Kong's total exports.

Hong Kong's exports are sold primarily to the United States, China, Great Britain, and West Germany. In 1985, 44 percent of goods manufactured in Hong Kong were shipped to the United States, 12 percent to China, 7 percent to Great Britain, and 6 percent to West Germany. The United States has been Hong Kong's largest export market for a long time, with Great Britain and West Germany as Hong Kong's second and third largest export market. However, beginning in 1984, there has been a large increase in the shipment of Hong Kong's manufactured goods to China, raising China to second position among Hong Kong's export markets.

Imports

The main items of imports into Hong Kong are raw and semi-finished goods, consumer goods, machinery and other production equipment, food products, and fuel. In 1985, the abovet items accounted for 42, 29, 16, 9, and 4 percent, respectively, of total imports into Hong Kong. Because of its lack of natural resources, Hong Kong has to rely on supplies from other countries, whether for industrial raw materials and machinery or consumer goods and food. The main countries of origin of Hong Kong's imports are China, Japan, the United States, Taiwan, Singapore, and Great Britain. China and Japan are still the major sources of Hong Kong's imports. In 1985 shipments from China and Japan accounted for 25 and 23 percent, respectively, of the total value of Hong Kong's imports.

Entrepot Trade

Prior to the 1950's, entrepot trade in Hong Kong was an extremely flourishing business. In those days, Hong Kong was mainly engaged in "China trade," serving as a transit station for commodities moving between China and the West. Later, the United Nations imposed an embargo on shipments to China, and this resulted in a decline in Hong Kong's entrepot trade. Fortunately, starting in the 1970's, China adopted the policy of opening up to the outside world, and the "China trade" of the past was revived. From 1978 on, China began to pursue its "four modernizations". This had a rejuvenating effect on Hong Kong's entrepot trade and it experienced phenomenal growth.

Entrepot trade commodities consist primarily of food, consumer goods, industrial raw materials, and machinery. In 1985, transshipments of raw materials and semifinished products accounted for 41 percent of the total value of transshipped goods, while consumer goods accounted for 37 percent.

China and the United States are the most important markets for transshipped commodities. In 1985 the U.S. and the PRC accounted for 44 and 14 percent of the total commodities transshipped through Hong Kong.

China and Japan are the most important countries of origin for commodities transshipped through Hong Kong. In 1985 transshipped commodities originating from these two countries accounted for 33 and 21 percent of Hong Kong's total entrepot trade volume..

The Significance of Trade for Hong Kong's Economy

Hong Kong has a large population on a small area of land and lacks natural resources. In the 1950's Hong Kong started to develop labor-intensive industries, such as the clothing and textile industries, and from then on shipped out year after year cheap ready-to-wear clothes and textiles, watches, toys, and electronic products to the United States and other Western countries, earning foreign exchange in the process. Hong Kong imported from China grain and ordinary consumer goods, and purchased from Japan and the other Western countries industrial raw materials, machinery, and high-class consumer goods. Trade had, therefore, become of the utmost importance in the economic development of Hong Kong.

Statistics show that over 90 percent Hong Kong's manufactured goods were exported, indeed an extremely high proportion of overall production. In 1985, gross value of exports made up 89 percent of Hong Kong's gross output value for the entire year. This clearly points out the crucial role of export trade in Hong Kong's modern economy.

Problems Facing Hong Kong's Export Trade

(1) External Factors

In the 1960's and 70's, the United States and Europe experienced rapid economic growth. Hong Kong seized the opportunity to develop labor-intensive industries, and with the clothing and textile industries as its primary focus, and exports as its goal, Hong Kong was able to break into the American, British, and West German markets. Hong Kong's industrial development at that time experienced phenomenal growth.

However, in the latter part of the 1970's, economic growth slackened in Europe and the United States. Their economies experienced ups and downs and uncertainties in market demand, a situation which struck a devastating blow to Hong Kong's export trade.

The benefits of a free trade economy are that it contributes to a larger international division of labor and to improvements in the utilization of natural resources, and also to an increase in output. Hong Kong has all along firmly supported the principles of GATT and its economic theory of open markets. Unfortunately, however, Hong Kong began to suffer from trade restrictions imposed by the United States and Europe beginning in the 1950's.

Trade restrictions mainly took the form of "quantitative restrictions," i.e. the imposition of quotas on imports and the prohibition of shipments above import quotas.

Recently, on 30 June, Hong Kong and the United States signed an "extension and amendment" to the bilateral textiles trade agreement. The amendment stipulates that the quantity of textiles shipped from Hong Kong to the United States may be increased an average of 1 percent per year and that non-MFA [non-Multii-Fiber Arrangement] textiles such as silk, ramie, and silk-blend fabrics, are to be included in the quota. As Hong Kong was not in a position to bargain, it reluctantly accepted the new agreement, hoping that by doing so, the colony will be able to realize a steady increase in its textile exports over the next 5 years and that protectionist pressure in the United States would ease.

With fierce competition from several newly industrialized Asian countries such as Taiwan, South Korea, Malaysia, and Singapore, the proportion of Hong Kong products in the markets of Europe and the United States has in recent years declined. These developing countries make the most of their advantages in cheap labor, natural resources, and imported foreign capital and energetically import advanced foreign technologies and equipment, thereby consolidating their industrial foundation and gradually becoming a threat to Hong Kong's exports.

(2) Internal Factors

Hong Kong's shortage of land for industrial purposes and exorbitant rents and land prices, cause increases in industrial production costs year after year. This cuts away at Hong Kong's ability to compete with prices on the international market.

Starting in the 1970's, the rapid development of Hong Kong's manufacturing industries, the expansion of service trades, the brisk business in the real estate and construction industries, and the abrupt increase in demand for labor led to a high level of wage costs.

From 1974 to 1980, importation and retention of industrial machinery increased at a real annual rate of 17 percent. During the period from 1981 to 1985, however, this figure was only 2 percent. Industrial investments slowed tremendously and seriously affected the regular development of Hong Kong's industrial production. Product quality gradually fell behind that of Hong Kong's Asian neighbors and weakened the colony's export competitiveness and ability to earn foreign exchange.

Ways of Overcoming the Difficulties in Foreign Trade

Feasible ways to resolve these difficulties would be to accelerate industrial diversification and develop high-quality products. Industrial diversification comprises diversification of products and diversification of export markets.

In 1985 Hong Kong products marketed in the United States accounted for 44 percent of its total export volume. In order to avoid an overly high concentration of exports in the U.S. market, Hong Kong businesses should expand exports to Central and South Amercia, Japan, Southeast Asia, and other regions.

Hong Kong businesses should strive to develop products that do not fall under trade restrictions, such as electronic goods, timepieces, and toys, and in this way speed up the diversification of products.

The textiles trade agreements with Europe and the United States place restrictions only on the quantity and not on the value of exports. Hong Kong's businesses should therefore increase investments in industry, import advanced foreign technology and equipment, develop medium and high-grade products, and raise the "added-value" of its products.

Achieving industrial diversification depends, first of all, on the efforts of the industrial sector itself, but requires at the same time the active assistance of the Hong Kong Government and the support of the financial sector. If economic ties between Hong Kong and China could be increased, both sides could realized the most advantageous use of their respective resources as well as much greater diversification of their industries.

The Hong Kong Government has for a long time pursued an economic policy of "active nonintervention;" nonetheless it has all along assisted in the overall development of industry.

Recently, the newly-appointed finance minister Zhai Kecheng [5049 0344 6134] said that in addition to opposing protectionism and striving to obtain equitable conditions for Hong Kong businessmen in international trade, the government also tries to raise the standard of the manufacturing industries by actively training personnel. In recent years, the government has established the Bureau of Vocational Training and the Hong Kong Municipal Polytechnic School, as well as many industrial colleges. Furthermore, the government is in the process of planning a third university.

Many departments of the Hong Kong Government, such as the Department of Industry, Department of Trade, Bureau of Trade Development, and the Bureau for the Promotion of Production have also conducted many surveys and studies. They have provided factories and businesses with much data and indirect assistance. The government is currently providing a series of direct services to the industrial sector. This includes the establishment of a company, the Hong Kong Products Design and Creation Co., Ltd., which opened in March and provides industry with industrial designs and services relating to product creation.

The structure of Hong Kong's manufacturing industry is unusual. Over 90 percent of the factories employ less than 50 workers. A common weakness among medium and small enterprises is that management is poor and the level of technology is low. The Hong Kong government should therefore increase its assistance to medium and small enterprises in these weak areas and provide them with detailed and accurate data from studies on overseas markets.

Development of Hong Kong's manufacturing industry also depends on the active participation of foreign investors. Statistics show that HK$11.6 billion in foreign capital was invested in Hong Kong industries in 1985. Of this figure, American capital amounted to HK$6.1 billion, followed by Japanese and British capital. Foreign investors not only provide capital investment; they also introduce advanced production technology. Therefore, the Hong Kong government should improve the investment environment so as to attract even more foreign capital.

Hong Kong lacks natural resources and advanced science and technology. However, Hong Kong's hinterland, namely China, is rich in natural resources. Hong Kong and China should be able to combine their resources. Examples are:

1. Hong Kong's labor-intensive industries could be moved into the China, thereby reducing production costs.

2. Hong Kong's industries could make use of China's S & T to improve production techniques and develop high-quality products.

3. China and Hong Kong could increase academic exchanges and joint research in S & T, business administration, and economics, and help each other develop by learning from the other's strengths and offsetting the other's weaknesses.

For a long time, bank loans to the manufacturing industry accounted for only a very small proportion of total loans in Hong Kong. In 1985, loans to the manufacturing industry made up only 8 percent of total loans in Hong Kong. Industry is an important pillar in Hong Kong's economy. Bank loans play a decisive role in providing employment and earning foreign exchange. The banks should provide industry with reasonable and complete services.

Recently, highly placed persons in society have repeatedly suggested the establishment of an "Industrial Bank," a "Business Start-up Fund," an "Industrial Investment Control Company," an "Industrial Development Fund," and many other similar kinds of organizations. The main idea is to increase financial circulation going to industry and encourage industrial investment. These suggestions are well worth the consideration of the Hong Kong Government and Hong Kong's financial sector.

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